NORTHERN IRELAND ELECTRICITY PENSION SCHEME

Annual Report & Accounts

Year ended 31 March 2024

Pension Scheme Registry Number: 10000057
Scheme Reference Number: 00328975RD

CONTENTS

SCHEME OVERVIEW

Introduction

This document contains the annual report and accounts of the Northern Ireland Electricity Pension Scheme ("the Scheme") for the year ended 31 March 2024. During the year, the participating employers in the Scheme were Northern Ireland Electricity Networks Limited and Capital Pensions Management Limited.

The Scheme is governed by a Definitive Trust Deed and Rules.

The Scheme has two sections:

(i) The **Focus section** (closed to new entrants in 1998), which provides benefits related to pensionable salary.
(ii) The **Options section**, which provides benefits based on defined contributions.

The investments of the Scheme are managed by the Trustees in conjunction with the Scheme's investment managers. Day-to-day management of the Scheme's assets is delegated to the investment managers.

Trustees ("the Trustees")

Employer Trustees

Peter Ewing (Chairman)	(from 3 April 2001, appointed Chairman 27 January 2011)
Laura Birch	(from 25 September 2018 to 30 June 2023)
Julie Henderson	(from 30 June 2023)
Gavan Walsh	(from 20 May 2019 to 29 September 2024)
Conor McDaid	(from 29 September 2024)

Member Trustees

David Hill	(from 17 February 2015)
Carl Hashim	(from 21 June 2019)
David Corry	(from 26 February 2021)
Ian Bailie	(from 4 November 2021)

Employer Trustees are appointed by Northern Ireland Electricity Networks Limited ("the Principal Employer"). Member Trustees are elected by active members and pensioner members of the Scheme.

Secretary of the Scheme
Paula Cunningham, Danesfort, 120 Malone Road, Belfast, BT9 5HT

Scheme Advisers

Investment Strategy Adviser
Lane Clark & Peacock LLP ("LCP")

Scheme Actuary
Lynda Whitney of Aon Solutions UK Limited

Solicitors
Allen & Overy LLP (Allen & Overy Shearman from 1 May 2024)

Auditors
Ernst & Young (Cork from 21 March 2024)
Ernst & Young LLP (Belfast until 21 March 2024)

Bankers
Danske Bank

Scheme Administrator
Capital Pensions Management Limited

Options Section – Platform Provider
Aegon

Investment Managers

Focus section
Schroder Investment Management Limited
Legal & General Investment Management (L&G)
Baillie Gifford Life Limited
Ruffer LLP
Blackstone Alternative Solutions LLC
Columbia Threadneedle Investments (CTI)
M&G Investment Management Limited
Partners Group AG
Beach Point Capital Management LP
BGO (previously BentallGreenOak)
Pacific Investment Management Company LLC (PIMCO)

Additional voluntary contributions (AVCs)
BlackRock Investment Management Limited
Standard Life Investments Limited to 1 November 2023
L&G

Bonus investments
BlackRock Investment Management Limited
L&G

Options section
BlackRock Investment Management Limited
Standard Life Investments Limited to 1 November 2023
L&G

Management of the Scheme

In accordance with the terms of the Definitive Deed which governs the Scheme, the Principal Employer nominates three Trustees and under the Member Nominated Trustee policy the members nominate four Trustees. Member nominated Trustees are elected every four years.

It is a requirement of the Pensions (Northern Ireland) Order 1995 that all occupational pension schemes have an internal dispute resolution (IDR) procedure in place for dealing with any disputes between trustees and scheme beneficiaries. An IDR procedure has been agreed by the Trustees, details of which can be obtained by writing to the Secretary of the Scheme.

If a member has a complaint against the Scheme that has not been resolved to their satisfaction through the Scheme's IDR procedure, the Money and Pensions Service may be able to assist. You can contact the Money and Pensions Service at: Money and Pensions Service, Bedford Borough Hall, 138 Cauldwell Street, Bedford, MK42 9AP.

If the complaint is not satisfactorily resolved, the government appointed Pensions Ombudsman can investigate complaints of injustice caused by bad administration, either by the Trustees or Scheme administrators, or dispute of fact or law. The Pensions Ombudsman can be contacted at: 10 South Colonnade, Canary Wharf, London E14 4PU.

If Scheme members have any queries concerning their benefits they should contact the Scheme's administrators by writing to the Secretary of the Scheme at the address shown on page 3.

The Pensions Regulator is responsible for overseeing pension Scheme administration and for complaints about non-disclosure of information. It also now acts as the registrar of occupational & personal pension schemes. The address for the Pensions Regulator is: Napier House, Trafalgar Place, Brighton BN1 4DW.

Membership

The number of members in the Scheme as at 31 March 2024 and changes since 31 March 2023 are shown in the table below:

	Focus Section	Options Section	Totals
Active members at 1 April 2023	190	1,200	1,390
New entrants	-	213	213
Leavers becoming deferred	-	(64)	(64)
Retirements	(29)	-	(29)
Refund of contributions/UFPLS	-	(2)	(2)
At 31 March 2024	**161**	**1,347**	**1,508**
Deferred members at 1 April 2023	317	805	1,122
Additions	-	64	64
Deferred members reaching retirement	(32)	-	(32)
Deaths	(2)	(4)	(6)
Transfers out	(7)	(27)	(34)
Cash withdrawal lump sum (UFPLS/trivial/small pot)	(6)	(9)	(15)
Other (returning students)	-	(14)	(14)
At 31 March 2024	**270**	**815**	**1,085**
Pensioners at 1 April 2023	3,891	76	3,967
Additions - Pensioners	29	-	29
- Dependants	61	-	61
Deferred members reaching retirement	32	-	32
Deaths	(187)	(2)	(189)
Other (children no longer eligible)	(1)	(1)	(2)
At 31 March 2024	**3,825**	**73**	**3,898**
Total membership at 31 March 2024	**4,256**	**2,235**	**6,491**

CHAIR'S STATEMENT

This Statement relates to the Scheme year from 1 April 2023 to 31 March 2024 and confirms the Scheme's compliance in key areas of governance as required by the Occupational Pension Schemes (Scheme Administration) Regulations (Northern Ireland) 1997 (as amended) ("the Regulations").

As Chair of Trustees of the Scheme, I welcome the opportunity to provide you with an explanation of how the Scheme meets these Regulations.

Investment Strategy

The Trustees have in place a Statement of Investment Principles ("SIP") which governs decisions about investments and sets out the aims and objectives of the Scheme's investment strategy.

A copy of the latest SIP dated August 2024 prepared in accordance with Regulation 2 of the Occupational Pension Schemes (Investment) Regulations (Northern Ireland) 2005 is attached at Appendix 2. The SIP was updated within the Scheme year in July 2023 and once following the Scheme year in August 2024.

The July 2023 amendment:

The Trustees updated the SIP to reflect the following:

- A further reduction in the Focus Section's strategic allocation to absolute return mandates in favour of a buy and maintain global corporate bond mandate; and
- The DWP's new guidance on "Reporting on Stewardship and Other Topics".

The August 2024 amendment:

The Trustees updated the SIP to reflect the following:

- The Trustees' policy in relation to the investment in illiquid assets within the Options Section; and
- The agreed changes to the Options Section's self-select funds.

Options Section Default arrangement

The Scheme's main default arrangement (the 'Default') is a drawdown lifestyle strategy, designed for members who plan to flexibly drawdown their retirement income. The objective of the drawdown lifestyle strategy is to generate returns in excess of the interest rate which would be obtained by investing in a bank cash deposit account, with the asset allocation at retirement being designed to be appropriate for members taking income drawdown.

The Default aims to achieve this by investing in the NIEPS – Growth Fund in the early years when members are more than 20 years from retirement (using the Scheme Normal Retirement Age of 63). The NIEPS – Growth Fund is designed to grow members' pension savings by investing in global equities and diversified growth funds (DGFs), which comprise of equities, bonds and alternative asset classes such as property. As members approach retirement, the Default gradually de-risks by moving into a lower-risk mix of investments. Firstly, the NIEPS – Diversified Fund which invests in DGFs is introduced in the period from 20 years to retirement. From 10 years to members' target retirement age, the allocation in the NIEPS - Diversified Fund will reduce and be switched to funds further designed to manage investment volatility; namely the NIEPS - Bond Fund and the NIEPS - Cash Fund. At target retirement age, members will be invested 50% in the NIEPS - Diversified Fund, 25% in the NIEPS - Bonds Fund and 25% in the NIEPS Cash fund on the assumption members will move some or all of their account to a drawdown arrangement.

The table below shows the asset allocation of the default arrangements at different ages.

Asset class	Allocation % age 25	Allocation % age 45	Allocation % age 55	Allocation % at retirement
Cash	0.1	0.1	0.1	25.1
Corporate bonds (UK and overseas)	8.4	13.4	40.1	41.7
UK government bonds	0.5	0.6	0.9	0.5
Overseas government bonds	0.9	1.5	3.3	1.9
Listed equities	87.7	79.5	42.1	23.3
Property (direct)	1.2	1.4	2.1	1.2
Private debt	0.5	1.0	2.5	1.4
Other	0.7	2.5	8.9	4.9

Options Section Strategy

The Trustees review the performance of the strategy on a quarterly basis. The Trustees also carry out a formal strategy review every three years. The latest review was concluded in June 2023.

The June 2023 review concluded that the Default and two alternative lifestyle strategies (Cash and Annuity Lifestyle Strategies) remain suitable for members. The review included the following:

- Analysis of the building block funds used within the Default and alternative lifestyle strategies including performance analysis and the investment adviser's view of the underlying funds.
- Making sure the Default strategy was adequately and appropriately diversified between different asset classes.

Following the review, the Trustees decided to make the following changes within the NIEPS – Growth Fund:

- increase the equity allocation from 50% to 75%;
- introduce an explicit allocation to emerging market equities approximately in line with global market capitalisation weights; and
- remove the allocation to the BlackRock Dynamic Diversified Growth Fund in order to fund the increased allocation to equities.

Implementation of the above took place in October 2023.

The self-select funds

The Trustees also considered the range of self-select funds and decided to add a new self-select fund: the NIEPS - Islamic Global Equity Fund. The Fund aims to achieve long-term capital growth by investing into one or more underlying funds, which adhere to Shariah principles, and which predominantly invest in a diversified portfolio of global equities. This fund was added in August 2023.

The Trustees also decided to close one self-select fund to new contributions: the Aegon Standard Life Global Absolute Return Strategies Fund. This was implemented in July 2023. Subsequently, the Aegon Standard Life Global Absolute Returns Fund was closed altogether in November 2023 due to closure of the fund by the investment manager.

The Trustees believe that the self-select options provide a suitably diversified range to choose from.

Implementation Statement

The Trustees produced an Implementation Statement for the period 1 April 2023 to 31 March 2024. A copy of the Implementation Statement is attached at Appendix 3.

The Implementation Statement sets out how, and the extent to which, the Trustees have followed the SIP during the year to 31 March 2024 as well as details of any review of the SIP during the year to 31 March 2023 and subsequent changes made with the reasons for the changes, and the date of the last SIP review.

Processing of core financial transactions

The Trustees are required to ensure that core financial transactions are processed promptly and accurately. These transactions include the investment of contributions, the transfer of members' assets into and out of the Scheme, fund switches and payments from the Scheme to or in respect of members. Additionally, the Pensions Regulator expects trustees to treat all transactions relating to the handling of member and employer contributions, and assets relating to them, once received by the Scheme, as 'core financial transactions'.

The Trustees have delegated the day-to-day administration of the Scheme to Capital Pensions Management Limited ("CPM") who regularly monitor the core financial transactions of the Scheme.

The Trustees are satisfied that the requirements for processing core financial transactions promptly and accurately are met by the following measures:

(a) Monthly automated processes have been established to ensure prompt and accurate payment of (i) Scheme and member contributions from the NIE Networks payroll system to the Scheme's bank accounts and (ii) member contributions to Aegon (the Scheme's administrator);

(b) All payments (which include both contributions and investments, both of which are authorised by either the Secretary and one Trustee, or two Trustees) and receipts through the Scheme's bank accounts are reconciled on a monthly basis;

(c) Consideration of discussions with and reports prepared by the external auditor Ernst & Young as part of the audit of the Scheme's annual financial statements;

(d) The Trustees have complied with the Regulations and the Pensions Regulator's DC Code of Practice in this area and the Pensions Regulator's "Code of Practice 6 (reporting late payment of contributions to occupational pension schemes)";

(e) The Trustees have an agreement with each service provider which processes core financial transactions committing them to defined service levels. They self-report performance against service levels to the Trustees on a quarterly basis. Aegon has confirmed that on average, 96% of their tasks over the Scheme year were completed within agreed service levels. In addition, Aegon has confirmed that once the payment is received and a matching file is loaded, contributions are invested within 48 hours. The deadline to invest contributions is two days. CPM provides quarterly administration reports to the Trustees summarising member movements and receipts and payments into the Trustees' bank account.

The Trustees are satisfied that there have been no material administration errors in relation to processing core financial transactions during the Scheme year.

Charges and transaction costs (Options Section)

The Trustees are required to set out the on-going charges incurred by members over the period covered by this Statement. When preparing this section of the Statement the Trustees have had regard to the relevant statutory guidance.

The level of charges applicable to the funds available is advised to members on their annual benefit statements, in the scheme investment funds booklet and are also shown in Aegon's online pension account facility which is accessible to members and linked to on the NIE Networks' Intranet site. The Total Annual Charge is made up of an Annual Management Charge (AMC) and Additional Expenses (such as the cost of auditing the investment funds).

The Trustees are also required to separately disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and sell assets within investment funds but are exclusive of any costs incurred when members invest in and switch between funds. The transaction costs are borne by members.

The charges and transaction costs disclosed below are as at 31 March 2024 and have been supplied by Aegon.

Default charges and transaction costs

The Default arrangement is the Drawdown Lifestyle. The Default has been set up as a lifestyle approach, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement age and in which funds they are invested.

For the period covered by this Statement, annualised charges and transaction costs are set out in the following table. Please note that the sum of the annual management charge and additional expenses may not sum to the total annual charge due to rounding.

Years to target retirement date	AMC %	Additional Expenses %	Total Annual Charge %*	Transaction Costs %
20 years to retirement	0.42	0.04	0.46	0.00
15 years to retirement	0.51	0.05	0.56	0.07
10 years to retirement	0.59	0.06	0.65	0.15
5 years to retirement	0.54	0.05	0.59	0.14
At retirement	0.46	0.05	0.50	0.11

Self-select fund range charges and transaction costs

In addition to the default arrangement, members also have the option to invest in two other lifestyle arrangements, targeting annuity purchase and cash withdrawal and several other self-select funds. The annual charges for these lifestyles during the period covered by this Statement are set out below.

Annuity Lifestyle

Years to target retirement date	AMC %	Additional Expenses %	Total Annual Charge %*	Transaction Costs %
20 years to retirement	0.42	0.04	0.46	0.00
15 years to retirement	0.51	0.05	0.56	0.07
10 years to retirement	0.59	0.06	0.65	0.15
5 years to retirement	0.45	0.04	0.48	0.10
At retirement	0.29	0.02	0.30	0.05

Cash Lifestyle

Years to target retirement date	AMC %	Additional Expenses %	Total Annual Charge %*	Transaction Costs %
20 years to retirement	0.42	0.04	0.46	0.00
15 years to retirement	0.51	0.05	0.56	0.07
10 years to retirement	0.59	0.06	0.65	0.15
5 years to retirement	0.54	0.05	0.59	0.10
At retirement	0.25	0.03	0.28	0.05

Self-select funds

The level of charges for each self-select fund (including those used in the Default) and the transaction costs over the period covered by this Statement are set out in the following table.

Fund name	AMC %	Additional Expenses %	Total Annual Charge %*	Transaction Costs %
NIEPS – Growth	0.42	0.04	0.46	0.00
NIEPS – Diversified	0.59	0.06	0.65	0.15
NIEPS – Bond	0.39	0.03	0.42	0.12
NIEPS – Annuity Tracking	0.30	0.01	0.31	0.06
NIEPS – Cash	0.25	0.03	0.28	0.02
NIEPS – Islamic	0.55	0.12	0.67	0.01
Aegon BlackRock Diversified Growth	0.55	0.06	0.61	0.29
Aegon BlackRock UK Equity Optimum	0.60	0.00	0.60	0.28
Aegon BlackRock Property	0.91	0.01	0.92	0.07
Aegon BlackRock Over 15 years Corporate Bond Index	0.25	0.02	0.27	0.01
Aegon BlackRock World ESG Equity Tracker	0.35	0.02	0.37	0.06
Aegon BlackRock Index-Linked Gilt	0.25	0.00	0.25	-0.04

Fund name	AMC %	Additional Expenses %	Total Annual Charge %*	Transaction Costs %
Aegon BlackRock 50:50 Global Equity Index	0.30	0.01	0.31	0.03
Aegon BlackRock Emerging Markets Equity Index	0.35	0.08	0.43	0.00
Aegon Standard Life Global Absolute Return Strategies**	0.95	0.03	0.98	0.72

**Please note that the sum of the annual management charge and additional expenses may not sum to the total annual charge due to rounding.*
***Please note that the Aegon Standard Life Global Absolute Return Strategies Fund has been closed during the Scheme year in November 2023. Therefore, fees are shown as at 31 March 2023.*

Charges and transaction costs – illustrative example

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings, to show the effect that costs and charges can have over time. The illustrations have been prepared based on charges and transaction costs provided by Aegon.

The transaction costs, as defined in regulation 2(1) of the Occupational Pension Schemes (Charges and Governance) Regulations 2015, should be based on an average of the previous 5 years' transaction costs or, where data is available for less than 5 years, an average of transactions costs over the years for which data is available.

The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne fees (i.e. the total annual charge) and an allowance for transaction costs.

The illustration is shown for the Scheme's default fund in the year covered by this Statement, being the Drawdown Lifestyle Option, as well as two funds from the Scheme's self-select fund range. The two self-select funds shown in the illustration are:

- the fund with the lowest annual member borne costs available – this is the Aegon BlackRock Index-Linked Gilt Fund.
- the fund with the highest annual member borne costs – this is the Aegon Property Fund. Please note that although the Aegon Standard Life Global Absolute Return Strategies Fund has higher fees, we have not shown an illustration for this Fund as this is no longer available within the Scheme.

Projected pension pot in today's money

	Default option		Aegon BlackRock Index-Linked Gilt		Aegon Property Fund	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£7,100	£7,000	£7,100	£7,100	£7,000	£6,900
3	£15,700	£15,600	£16,000	£15,900	£15,200	£14,900
5	£25,100	£24,800	£25,800	£25,700	£23,800	£23,100
10	£52,500	£51,100	£55,400	£54,700	£47,200	£44,800
15	£86,200	£82,700	£93,500	£91,600	£73,500	£68,100
20	£127,400	£120,500	£142,200	£138,300	£103,000	£93,200
25	£177,700	£165,500	£204,200	£197,100	£136,000	£120,100
30	£236,000	£216,200	£282,800	£270,900	£172,900	£148,900
35	£292,500	£261,600	£382,200	£363,200	£213,900	£179,800
40	£344,800	£300,000	£507,700	£478,400	£259,500	£213,000
45	£399,700	£339,800	£665,500	£621,800	£310,200	£248,400
47	£420,500	£354,900	£739,500	£688,500	£331,900	£263,200

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. Actual investment growth achieved may be more or less than this and will vary depending on the fund(s) the member is invested in.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation. Inflation is assumed to be 2.5% for the purposes of this Statement.
- The starting pot size used is £3,000 – this is currently the median fund value for members aged 23 and under within the Scheme.
- The projection is for 47 years, being the approximate duration that the youngest Scheme member has until they reach the Scheme's Normal Retirement Age.
- The starting salary is assumed to be £24,000 – this is currently the Scheme's median salary for members aged 23 and under.
  Total future contributions are assumed to be 16% of the member's salary (£320 each month increasing by 3.5% each year in line with assumed salary increases).
- The projected annual returns used have been provided by Aegon and are as follows:
  - Drawdown Lifestyle Option (the default) ranges from 3.50% above inflation to 1.00% above inflation;
  - Aegon BlackRock Index-Linked Gilt Fund is assumed to be 4.50% above inflation;
  - Aegon Property Fund is assumed to be 1.50% above inflation

Investment returns

This section shows the annual return, after the deduction of member borne charges and transaction costs, for all investment options in which member assets were invested during the Scheme year covered by this Statement. The Trustees have had regard to the statutory guidance and adhered to it where data has allowed. Due to changes made to the investment strategies in April 2021, Aegon has been unable to provide complete net returns over the long term. Hence, we have only shown net returns over one and three years to 31 March 2024 for the investment strategies available.

For arrangements where returns vary with age, such as the default lifestyle, returns are shown over the Scheme year for a member aged 25, 45 and 55 at the start of the period the returns are shown over. That is, the one year returns for the member aged 25 invested in the default lifestyle is calculated using the asset allocation that member is invested in at that point in time. Please note the Scheme Normal Retirement Age of 63 has been used for these calculations.

Default lifestyle strategy net returns over periods to scheme year end (31 March 2024)

Age of member at the start of the period	1 year (%)	3 years (% pa)
25	16.6	7.5
45	14.1	5.3
55	7.9	1.9

Annuity Lifestyle

Age of member at the start of the period	1 year (%)	3 years (% pa)
25	16.6	7.5
45	14.1	5.3
55	6.1	-1.6

Cash Lifestyle

Age of member at the start of the period	1 year (%)	3 years (% pa)
25	16.6	7.5
45	14.1	5.3
55	7.9	1.9

Self-select fund net returns over periods to scheme year end

Fund	1 year (%)	3 year (% pa)	5 year (% pa)
NIEPS – Growth	16.6	7.5	N/A*
NIEPS – Diversified	8.2	2.2	N/A*
NIEPS – Bond	6.1	0.3	N/A*
NIEPS – Annuity tracking	1.3	-7.6	N/A*
NIEPS – Cash	4.9	2.2	N/A*
NIEPS – Islamic Global Equity	N/A**	N/A**	N/A**
Aegon BlackRock Diversified Growth	8.4	1.8	3.7
Aegon BlackRock UK Equity Optimum	12.9	8.3	7.2
Aegon BlackRock Property	1.7	1.2	0.9
Aegon BlackRock Over 15 years corporate bond index	5.1	-9.9	-3.7
Aegon BlackRock World ESG equity tracker	21.5	11.1	N/A*
Aegon BlackRock Index-Linked Gilt	-6.9	-12.2	-6.7
Aegon BlackRock 50:50 global equity index	12.9	8.3	7.8
Aegon BlackRock Emerging markets equity index	4.9	-3.4	2.5
Aegon Standard Life Global Absolute Return Strategies***	-9.7	-6.0	-6.0

**These funds were incepted in April 2021 and therefore do not currently have a 5 year performance track record.*

*** The NIEPS – Islamic Global Equity Fund was incepted in August 2023 and therefore does not have a 1, 3 or 5 year performance track record.*

**** Please note the Fund was closed in November 2023 and therefore performance has been shown to 30 September 2023.*

Assessment of Good Value for Members

The Trustees are committed to ensuring that the Scheme provides good value for members – that is, that charges and transaction costs provide good value in relation to the benefits and services provided.

The Trustees last carried out a formal review of the charges and services provided by the Options Section of the Scheme in July 2024.

In accordance with the Pensions Regulator's DC guidance in this area and with the Regulations, and in light of the assessment from the investment adviser, the Trustees' assessment is that the Scheme represents good value in relation to the benefits and services provided for members. The Trustees have assessed this based on a fee benchmarking exercise and through their investment advisor's advice on what constitutes market leading practices in the below listed categories. We have provided a summary of the assessment of different categories below:

1. Costs & charges – Good – The Trustees consider that the Scheme's charges are competitive compared to other pension schemes.
2. Administration – Good – The Trustees believe Aegon can provide administration services to a satisfactory standard.
3. Governance – Very good – The Trustees regularly review the Scheme to ensure governance is of a high standard and undertake quarterly training on topical issues.
4. Communications – Very good – The Trustees make use of a wide suite of communication tools and resources that are tailored to the reader, timely and accurate.
5. Default investment arrangement – Very good – The Trustees monitor performance of the Scheme's default strategy on a quarterly basis. The Trustees implemented various enhancements to the default strategy over the Scheme year.
6. Investment range – Very good – The Trustees consider that the self-select fund range and alternative lifestyles are appropriate for the Scheme's membership. The Trustees added a Shariah-compliant fund as part of the recent strategy review.
7. At-retirement services – Good – The Trustees are comfortable with the at-retirement options available to members and the additional communications which were made available over the Scheme year covered by this Statement. Members are signposted to Pension Wise when making decisions.
8. Scheme design – Very good – The Company and Trustees' commitment to the Scheme is strong and demonstrated in the Scheme design and contributions.

Overall, the Trustees believe that members of the Scheme are receiving good value. The Trustees will continue to monitor the Scheme's ongoing charges and services to ensure these remain competitive.

Trustee Knowledge and Understanding

The Trustees have met the requirement of sections 224 of the Pensions (Northern Ireland) Order 2005 (which addresses the requirements for trustees to have the necessary knowledge and understanding to properly run the Scheme and ensure sufficient standards of governance and administration) during the Scheme year covered by this Statement by:

(a) maintaining a rolling programme of bespoke Trustee training, including training in relation to Climate related reporting requirements, long term strategy, DWP stewardship requirements, other legal and regulatory developments in 2023/24 and any anticipated developments for 2024 and beyond;

(b) bespoke induction training for new trustees directly from Scheme advisers;

(c) the Trustees enhance their knowledge and understanding through (i) two days of formal training each year from Scheme advisers (ii) investment strategy review meetings attended by Scheme fund managers and (iii) ad hoc training courses and seminars attended by individual Trustees;

(d) recording all training and attendance at appropriate seminars in a training log; and

(e) circulating hot topics, and current or pending legal, actuarial and investment updates to each quarterly Trustee meeting and receiving legal and regulatory updates from the Scheme's advisers as relevant.

The approach set out above has been confirmed by the Scheme's legal advisers as being one which is in within the range of approaches pension scheme trustees would be expected to take in in respect of trustee knowledge and understanding requirements.

The combined knowledge and understanding of the Trustees as described below, together with the specialist advice that is available to them both throughout the year and whilst attending meetings, enables the Trustees to properly exercise their functions as Trustees of the Scheme.

(a) Peter Ewing is the Chair of the Trustees and has over 20 years' experience of acting as a Scheme Trustee. Peter was formerly the Finance Director of the Viridian Group and subsequently the Deputy Managing Director and Director of Regulation and Market Operations of NIE Networks.

David Hill is a chartered engineer and is Active Systems Manager for NIE Networks. David was appointed as a Trustee by the members of the Scheme in February 2015.

Gavan Walsh, Chief Transformation Officer, at NIE Networks, was appointed as a Trustee by the Company in May 2019 and stepped down in September 2024.

Carl Hashim, Head of Regulation Strategy at NIE Networks, was appointed as a Trustee by the members in June 2019.

David Corry, Fleet Manager at NIE Networks, was appointed as a Trustee by the members of the Scheme in February 2021.

Ian Bailie is a pensioner of the Scheme and was appointed as a Trustee by members of the Scheme in November 2021. Ian was formerly Network Development Manager for NIE Networks.

Julie Henderson, Senior Human Resources Business Partner at NIE Networks, was appointed as a Trustee by the Company in June 2023.

Conor McDaid, Finance Business Partner, was appointed as a Trustee by the Company in September 2024.

(b) Our specialist legal, actuarial and investment advisers have input into Trustees' meeting agendas and regularly attend Trustees' meetings to advise on specific matters on the agenda but also more generally on the issues being discussed.

(c) The Trustees attend at least two formal training days each year focussing on areas that have been identified as areas where more training is required. This training is provided by our expert advisers.

(d) The combined experience of the Trustees includes expertise on financial matters, risk management and investment matters.

(e) The Trustees are conversant with the Scheme's trust deed and rules (and refer to these as part of deciding whether to make any changes to the Scheme and in individual member cases as relevant), as well as the statement of investment principles and other key administrative documents, and have appropriate knowledge of pensions and trust law and matters relating to scheme funding and investment including in relation to the identification, management and assessment of risks and opportunities relating to the Scheme in arising from climate change.

Signature: Peter Ewing Chair of the Trustees

Name: Peter Ewing

Date: 4th October 2024

TRUSTEE REPORT

The Scheme is a registered pension scheme under the provisions of Schedule 36 of the Finance Act 2004 for taxation purposes and in turn has been granted Exempt Approved Scheme Tax Status by HMRC.

SCHEME ASSETS AND LIABILITIES

Scheme Assets

The financial statements set out on pages 43 to 58 have been prepared and audited in accordance with the regulations made under articles 41(1) and (6) of the Pensions (Northern Ireland) Order 1995.

During the year the value of the Scheme's net assets decreased from £1,002.6m to £993.4m reflecting net withdrawals of £30.6m and a net return on investment of £21.4m.

Scheme Liabilities

The latest formal actuarial valuation was carried out as at 31 March 2022. This valuation showed a deficit in the Focus section on an ongoing basis of £29.0m as at 31 March 2022, corresponding to a funding ratio of 98% (assets to liabilities). The value of the assets for the purposes of the actuarial valuation (which excludes assets held in the Options section as well as Bonus Investments and AVCs) was £1,196.8m and the value of the promised benefits (the liabilities) was £1,225.8m.

The significant actuarial assumptions for valuing the liabilities made in the 2022 actuarial valuation for the Focus section were as follows:

Assumption	Assumption made in the 31 March 2022 valuation
Pre-retirement discount rate	Bank of England nominal gilt yield curve plus 1.5% p.a. at all durations
Post-retirement discount rate	Bank of England nominal gilt yield curve plus 0.5% p.a. at all durations
RPI inflation	Bank of England breakeven RPI yield curve
CPI inflation	RPI inflation less 1.0% p.a. pre-2030 and 0.1% p.a. post-2030
Post retirement mortality assumption – base table (normal health)	110% for males and 125% for non-pensioner females and 115% for pensioner females of standard tables SAPS S3N All Amounts
Post retirement mortality assumption – future improvements	Future mortality improvements are in line with CMI 2021 projections with a smoothing parameter of 7.0, A=0.0% and with a long term improvement rate of 1.50% p.a.

The actuarial valuation was performed using the projected unit method. This method, with a three year control period, was also used to calculate the cost of future benefit accrual.

The contributions which NIE Networks is obliged to make to the Scheme are set out in the Schedule of Contributions.

Under the Schedule of Contributions, in respect of Focus, NIE Networks is responsible for funding:

- regular contributions of 52.1% of members' pensionable salaries between 1 April 2023 and 31 March 2024 to meet the cost of future service benefits; and
- deficit repair contributions of £1.874m per month 1 April 2023 to 30 September 2023; and
- £0.1m per month between 1 April 2023 and 31 March 2024 towards running costs of the Scheme.

In respect of Options, NIE Networks is responsible for funding:

- contributions matching members' normal contributions up to maximum of 8%;
- an additional 1% of pensionable salaries in respect of members with 10 years or more of pensionable service;
- an additional 1% of pensionable salaries in respect of members with 15 years or more of pensionable service;

- an additional 1% of pensionable salaries in respect of members with 20 years or more of pensionable service;
- an additional 1% of pensionable salaries in respect of members with 25 years or more of pensionable service; and
- 6.6% of pensionable salaries in respect of ill health benefits, death in service benefits and running costs between 1 April 2023 and 31 March 2024.

NIE Networks is also responsible for funding:

- contributions on behalf of members who take part in the SMART pension arrangement.
- the levy due to the Pension Protection Fund.
- levies collected by the Pensions Regulator.

The next actuarial valuation is due 31 March 2025.

FOCUS SECTION

Investment Strategy

The Trustees' investment objectives are that:

- the Focus section should be able to meet benefit payments as they fall due;
- that the return on the Scheme's assets is maximised whilst managing and maintaining investment risk at an appropriate level; and
- that the funding position of the Focus section (i.e. the value of its assets relative to the assessed value of its liabilities) should remain at an appropriate level.

In deciding on the investment strategy, the Trustees, with the help of their investment adviser, consider different types of investments, with a view to targeting an acceptable overall level of expected return and risk having regard to the membership and liability profile of the Scheme.

As at 31 March 2024, the investment strategy for the Focus section included:

- a liability driven investment ("LDI") mandate managed by Columbia Threadneedle Investments, designed to reduce the impact that changes in long-term interest rates and inflation expectations have on the Scheme's funding position (there is also an allocation to short-dated corporate bonds within the LDI mandate, to increase capital efficiency);
- a global buy and maintain investment grade credit mandate managed by PIMCO to provide a diversified exposure to high quality and liquid corporate bonds;
- an active UK equity mandate managed by Schroders and a passive global equity allocation managed by L&G, designed to provide exposure to equity markets;
- absolute return investments managed by Baillie Gifford, Blackstone and Ruffer that aim to deliver returns in excess of cash by investing in a diversified range of assets;
- an inflation-linked opportunities mandate managed by M&G that aims to generate attractive inflation-linked investment returns; and
- an allocation to illiquid credit managed by M&G, Partners Group, Beach Point and BGO (previously BentallGreenOak) which aims to deliver returns in excess of cash and provide income by lending to small and medium sized companies, and in BGO's case real estate projects.

The Trustees are satisfied that the Scheme's assets overall remain sufficiently liquid to meet member benefits and other obligations as they fall due.

As at 31 March 2024, the target interest rate and inflation hedging levels (with respect to the Technical Provisions liability measure) were both 100%.

Over the year to 31 March 2024, the Trustees reviewed the Scheme's investment strategy and decided to reduce the target equity allocation by 5% in favour of an increased allocation to corporate bonds. This was implemented in November 2023.

Task Force on Climate-related Financial Disclosures (TCFD)

The Scheme's TCFD statement relating to the period ended 31 March 2024 is available on the Scheme's website: https://nieps.lcp.uk.com

This document is updated annually and provides members with the opportunity to find out more about the work carried out by the Trustees in relation to climate change.

Focus Funds Under Management

The Focus section funds under management (excluding AVCs and bonus investments) as at 31 March 2024 and 31 March 2023 were:

Asset Class	31 March 2024 £m	31 March 2024 %	31 March 2023 £m	31 March 2023 %
Equity				
Schroders - UK equity and unit trust	16.4	1.5	32.6	2.9
L&G overseas equity	29.8	2.7	48.8	4.4
Total	**46.2**	**4.2**	**81.4**	**7.3**
Absolute return/Diversified growth				
Baillie Gifford	20.2	1.8	19.6	1.8
Ruffer	16.4	1.5	16.3	1.5
Blackstone	28.5	2.6	74.5	6.7
Total	**65.1**	**5.9**	**110.4**	**10.0**
Liability Driven Investment				
CTI	**590.5**	**53.7**	**548.8**	**49.5**
Global Corporate Bonds				
PIMCO	**216.3**	**19.7**	**187.6**	**16.9**
Inflation opportunities				
M&G	**47.1**	**4.3**	**49.6**	**4.5**
Illiquid credit				
M&G	10.2	0.9	14.8	1.3
Partners	31.6	2.9	44.6	4.0
Beach Point	73.6	6.7	59.3	5.4
BGO	19.4	1.7	11.9	1.1
	134.8	**12.2**	**130.6**	**11.8**
Total funds under management	**1,100.0**	**100**	**1,108.4**	**100**

Investment Performance

Overall Performance

The following table summarises the net investment return on the Focus section assets over one, three and five year periods to 31 March 2024.

	1 year (%)		3 years (% pa)		5 years (% pa)	
	Return	**Benchmark**	**Return**	**Benchmark**	**Return**	**Benchmark**
Focus section	1.4	(1.4)	(5.3)	(6.0)	(0.4)	(2.1)

Over the year to 31 March 2024, the Scheme's assets produced an investment return of 1.4%. Positive performance from the Scheme's more growth-focussed assets was offset by negative performance from the LDI assets (due to rising bond yields). The Scheme's Technical Provisions fell in value (alongside the LDI assets) and therefore the Scheme's overall funding position improved over the period.

Manager Performance

The tables below summarise the performance to 31 March 2024 of each investment manager, before fees (unless stated otherwise), versus the relevant benchmark returns.

Schroders (UK equity)

Schroders' performance objective is to outperform the FTSE All Share Index benchmark by 1.5% pa (before fees) over rolling three-year periods.

	1 year (%)	3 years (% pa)	5 years (% pa)
Return	6.1	6.4	5.7
Benchmark	8.4	8.0	5.4
Relative	(2.3)	(1.6)	0.3

L&G (overseas equity)

L&G's performance objective is to perform in line with its benchmark, the World (ex UK) Equity Index (GBP Hedged).

	1 year (%)	3 years (% pa)	5 years (% pa)
Return	26.8	9.5	12.3
Benchmark	26.7	9.5	12.3
Relative	0.1	0.0	0.0

Baillie Gifford (absolute return)

Baillie Gifford's performance objective is to outperform the Bank of England Base rate by 3.5% pa (after fees) over rolling 5 year periods, with a volatility of less than 10% pa. For performance measurement purposes the Trustees assume a cash benchmark of SONIA for the 1 year benchmark and a blend of SONIA and 6 month LIBOR for long term performance.

	1 year (%)	3 years (% pa)	5 years (% pa)
Return	3.8	(0.3)	1.5
Cash benchmark	5.1	2.5	1.7
Relative	(1.3)	(2.8)	(0.2)

Ruffer (absolute return)

Ruffer's performance objective is to preserve capital over rolling 12 month periods and to return a higher rate (after fees) than that achieved by depositing the cash value of the portfolio in a reputable UK bank. For performance measurement purposes the Trustees assume a cash benchmark of SONIA for the 1 year benchmark and a blend of SONIA and 6 month LIBOR for long term performance.

	1 year (%)	3 years (% pa)	5 years (% pa)
Return	(3.8)	(0.9)	5.0
Cash benchmark	5.1	2.5	1.7
Relative	(8.9)	(3.4)	3.3

Blackstone (absolute return)

Blackstone's performance objective is to generate attractive risk adjusted returns in the long-term. For performance measurement purposes the Trustees assume a cash benchmark of SONIA for the 1 year benchmark and a blend of SONIA and 6 month LIBOR for longer term performance. Blackstone's performance is net of management fees and includes the effects of the USD currency hedge.

	1 year (%)	3 years (% pa)	5 years (% pa)
Return	10.9	4.8	5.4
Cash benchmark	5.1	2.5	1.7
Relative	5.8	2.3	3.7

CTI (LDI)

CTI aims to hedge the Scheme's liabilities against changes in interest rates and inflation expectations and outperform the change in the present value of the liability benchmarks (based on the Scheme's projected liability cashflows) over the long term. CTI uses a "dynamic" process, which means it has discretion to invest in a combination of leveraged gilts and swaps, depending on the relative attractiveness of each instrument at each maturity. CTI's performance is therefore measured against both a swap-based benchmark and a gilt-based benchmark. CTI aims to outperform both these benchmarks over the long term.

Over the year to 31 March 2024, the LDI portfolio produced returns slightly above that of the gilt based benchmark but below that of the swap-based benchmark, due to outperformance of swaps over gilts. The table below shows the return (in £m) for the portfolio.

	1 year (£m)	3 years (£m)	5 years (£m)
Return	(39.2)	(225.5)	(201.9)
Benchmark (gilt-based)	(39.3)	(228.4)	(204.9)
Benchmark (swap-based)	(34.1)	(213.2)	(199.6)

CTI (short duration credit)

CTI's performance objective for the short duration credit mandate is to achieve 1% pa in excess of a portfolio of UK government bonds of equivalent maturity.

	1 year (%)	3 years (% pa)	Since inception 9 December 2019 (% pa)
Return	7.3	2.5	2.3
Govt bond benchmark	3.3	(0.5)	(0.1)
Relative	4.0	3.0	2.4

PIMCO (buy and maintain credit)

PIMCO's performance objective is to maintain a diversified credit exposure and avoid permanent impairment of assets through defaults, downgrades, and/or other material adverse credit events. For performance measurement the Trustees assume a government bond benchmark of equivalent maturity and since inception performance is shown before fees.

	1 year (%)	Since inception 9 June 2022 (%)
Return	9.4	3.4
Govt bond benchmark	1.7	(2.4)
Relative	7.7	5.8

M&G (Inflation Opportunities)

The M&G Inflation Opportunities Fund aims to outperform UK RPI by 2.5% pa (after fees), over a five year investment period. For performance measurement purposes the Trustees use two different benchmarks:

- a cash benchmark of SONIA for the 1 year benchmark and a blend of SONIA and 6 month LIBOR for longer term performance to be consistent with the other illiquid mandates; and
- an index-linked government bond benchmark which in the Trustees' view is a fairer reflection of the nature of the underlying assets held in the fund.

The figures below are an estimate of gross performance by using net performance plus the average total expense.

	1 year (%)	3 years (% pa)	5 years (% pa)
Return	(0.9)	(6.8)	(2.4)
Cash benchmark	1.3	2.5	1.7
Relative	(2.2)	(9.3)	(4.1)
Index-linked government bond benchmark	(6.8)	(12.1)	(6.5)
Relative	5.9	5.3	4.1

M&G (Illiquid Credit)

The M&G Illiquid Credit Opportunities Fund aims to outperform SONIA by 5% pa (after fees), over a five-year investment period. For performance measurement purposes the Trustees assume a cash benchmark of SONIA for the 1 year benchmark and a blend of SONIA and 6 month LIBOR for long term performance. The figures below are an estimate of gross performance by using net performance plus the average total expense.

	1 year (%)	3 years (% pa)	5 years (% pa)
Return	5.1	5.1	4.6
Cash benchmark	5.1	2.5	1.7
Relative	0.0	2.6	2.9

Partners (Illiquid Credit)

Partners aims to outperform SONIA by 4-6% pa (after fees) over the term of the mandates. Partners' performance is reported net of management fees. For performance measurement purposes the Trustees assume a cash benchmark of SONIA for the 1 year benchmark and a blend of SONIA and 6 month LIBOR for long term performance. Performance has been estimated using an internal rate of return calculation.

Mandate 1

	1 year (%)	3 years (% pa)	5 years (% pa)
Return	10.8	12.4	10.3
Cash benchmark	5.1	2.5	1.7
Relative	5.7	9.9	8.6

Mandate 2

	1 year (%)	3 years (% pa)	5 years (% pa)
Return	13.0	5.0	10.3
Cash benchmark	5.1	2.5	0.2
Relative	7.9	2.5	10.1

Beach Point (Illiquid Credit)

Beach Point's performance objective is to generate attractive risk adjusted returns in the long-term. For performance measurement purposes the Trustees assume a cash benchmark of SONIA for the 1 year benchmark and a blend of SONIA and 6 month LIBOR for long term performance. Beach Point's performance has been estimated using an internal rate of return calculation and includes the effects of the USD currency hedge.

	1 year (%)	3 years (% pa)	Since inception 29 May 2020 (% pa)
Return	15.4	9.8	13.5
Cash benchmark	5.1	2.5	0.1
Relative	10.3	7.3	13.4

BGO (Illiquid Credit)

BGO's performance objective is to generate a return of 7-9% pa (after fees). For performance measurement purposes the Trustees assume a cash benchmark of SONIA for the 1 year and the long-term performance. BGO's performance has been estimated using an internal rate of return calculation.

	1 year (%)	Since inception 29 April 2021 (% pa)
Return	10.8	9.3
Cash benchmark	5.1	0.0
Relative	5.7	9.3

Investment Risks

Financial Reporting Standard 102 (FRS 102) requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

a. Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
b. Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
c. Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). These changes may be caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustees determine their investment strategy after obtaining written professional advice from their investment adviser. The Scheme has exposure to these risks via the investments held to implement the investment strategy. The Trustees manage investment risks, including credit risk and market risk, by considering the Scheme's investment objectives and the investment strategy and advice of their investment adviser.

Within each investment portfolio, investment objectives and restrictions to manage risk are implemented through the legal agreements in place with the Scheme's investment managers. The Trustees monitor the performance of the strategy and associated risks, and each investment manager, against its objectives and restrictions, on a regular basis.

Further information on these risks and the Trustees' approach to risk management is set out below.

Credit Risk

Pooled funds Pooled funds are collective investment vehicles where investors' money is pooled together to purchase assets. Investors are allotted a share of those assets in the form of units in the pooled fund. The value of units will go up and down depending on the value of the underlying assets held within the portfolio. The Scheme's pooled fund investments are managed by Baillie Gifford, Beach Point, Blackstone, BGO, Legal & General, M&G, and Partners.	Direct credit risk – Baillie Gifford, Beach Point, Blackstone, BGO, Legal & General, M&G, and Partners	The Scheme invests in pooled funds and is therefore directly exposed to credit risk in relation to the solvency of the investment manager and custodian of those funds. Direct credit risk arising from pooled funds is mitigated by the underlying assets of the pooled funds being ring-fenced from the investment managers, the regulatory environments in which the pooled fund managers operate and diversification of the Scheme's investments across a number of pooled funds. The Trustees, with the help of their advisers, carry out due diligence checks prior to the appointment of any new investment manager or fund, and monitor for changes to the operating environment of the existing investments.
	Indirect credit risk – Baillie Gifford, Beach Point, Blackstone, BGO, M&G and Partners.	The Scheme is indirectly exposed to credit risks arising from the underlying investments held by the pooled funds, where they invest in bonds and other assets of a contractual nature. The managers of these pooled funds manage credit risk by having a diversified exposure to bond issuers or highly rated issuers (e.g. the UK government), conducting thorough research on the likelihood of default of those issuers, having only a limited exposure to bonds rated below investment grade, and arranging security against borrower default where appropriate. The magnitude of credit risk within each fund will vary over time, as the managers change the underlying investments in line with their views on markets, asset classes and specific securities.
Segregated investments A segregated investment approach ensures that the Scheme's assets are held separately to other investors' assets. Within the segregated portfolios the Trustees own the underlying assets directly and must appoint a custodian to hold these assets.	Direct credit risk – CTI, PIMCO, Ruffer and Schroders	The direct credit risk in relation to the equity portfolio managed by Schroders is low. A small proportion of the assets are held in pooled investment vehicles, which are directly exposed to credit risk in relation to the solvency of the investment manager and custodian of those funds. The Scheme is also directly exposed to credit risk through the segregated bond investments managed by Ruffer and PIMCO. As with the bonds accessed via pooled funds, Ruffer and PIMCO manage credit risk by having a diversified exposure to bond issuers or highly rated issuers (e.g. the UK government), conducting thorough research on the likelihood of default of those

The Scheme's segregated portfolios are managed by CTI, PIMCO, Ruffer and Schroders.		issuers and having only a limited exposure to bonds rated below investment grade. The magnitude of credit risk will vary over time, as Ruffer and PIMCO change the underlying investments in line with their views on markets, asset classes and specific securities. The Scheme is also exposed to direct credit risk in relation to pooled funds held within the Ruffer mandate. Within the LDI portfolio, there is direct exposure to credit risk as CTI uses bonds and over-the-counter derivative instruments to hedge risk associated with the Scheme's liabilities as well as investing in short dated corporate bonds. The terms under which the LDI portfolio is managed include provisions to manage the exposure to credit risk, such as limits on the exposure to any single counterparty and minimum credit ratings that all counterparties must meet. The derivative positions are collateralised daily to limit credit risk to one day's market movements. In addition, most of the Scheme's derivative exposure is "centrally cleared", an approach designed to reduce the counterparty risk of trading directly with banks.
	Indirect credit risk – Ruffer	The indirect credit risk in relation to the Ruffer absolute return portfolio is low. A small proportion of the assets in the portfolio are invested in illiquid credit and gold funds. The illiquid credit funds conduct thorough research on the likelihood of default of borrowers and the gold funds hold assets with investment grade institutions.

A breakdown of direct credit exposure within the Scheme's segregated mandates is given in the table below.

	Investment grade (£000)	Non-investment grade (£000)	Unrated (£000)
Schroders	1,127*	-	132***
Ruffer	9,629**	-	4,245***
PIMCO	215,130**	1,153	909
CTI	248,660**	8,711	-

* *Pooled funds managed by an entity that has issued investment grade public debt.*
** *Government bonds, corporate bonds and derivative exposure.*
*** *Pooled funds managed by entities that have not issued public debt.*

Market Risk

a. Currency risk

As the Scheme's liabilities are denominated in Sterling, any non-Sterling currency exposure within the assets presents additional currency risk.

The Scheme's pooled funds are accessed via Sterling share classes, with the exception of the Blackstone absolute return mandate and the Beach Point opportunistic credit fund, which are USD-denominated. To broadly hedge this exposure to fluctuations in the GBP-USD exchange rate, the Scheme has entered into currency forward contracts as part of the CTI mandate (which are reviewed on a regular basis).

Within the pooled funds there is also indirect currency risk.

The Trustees consider overseas currency exposure in the context of the overall investment strategy, and believe that the risk that exists diversifies the strategy and is appropriate. Furthermore, where the Scheme invests in non-Sterling denominated securities, the Trustees manage the amount of currency risk by either investing in pooled funds that aim to hedge all of the foreign currency exposure (e.g. the overseas equity mandate) or by delegating responsibility to the investment managers to manage the currency exposure (e.g. the absolute return and corporate bond managers).

a. Interest rate risk

The Scheme's LDI portfolio and buy and maintain credit portfolio are subject to interest rate risk. However, this interest rate exposure hedges part of the corresponding risk associated with the Scheme's liabilities. The net effect will be to reduce the volatility of the funding level, and therefore the Trustees believe that it is appropriate to have exposure to interest rate risk in this manner.

The absolute return mandates, the short dated credit mandate and the inflation opportunities fund will also have some sensitivity to changing interest rates, but this sensitivity will vary over time as the underlying investments change, and it is not expected to be a primary driver of returns due to the investment approaches of these funds. The Scheme has direct exposure to such interest rate sensitivity within the Ruffer absolute return mandate and indirect exposure within the pooled funds.

The Scheme's private credit mandates (Partners, M&G, Beach Point and BGO) primarily have exposure to "floating rate" investments. As such, the value of income received on these investments increases as short-term interest rates rise. Given the shorter-term nature of these investments, there is limited exposure to changes in longer-term interest rates.

b. Other price risk

The Trustees monitor this risk on a regular basis, looking at the performance of the Scheme as a whole as well as each individual portfolio. The Trustees believe that the Scheme's DB assets are adequately diversified between different asset classes and within each asset class to manage this risk.

The Scheme's investments in illiquid and opportunistic credit and inflation opportunities involve assets of a fixed-term and contractual nature, and so are expected to be less exposed to other market factors.

The exposure to other indirect price risk within the Scheme's investments will vary over time depending on how the managers change the underlying asset allocation to reflect their market views.

Credit and Market Risks

As noted above, the Scheme is subject to credit (both direct and indirect) and market risk arising from its investments. The mandates that have significant exposure to these risks are set out below.

Manager	Credit risk	Currency risk	Interest rate risk	Other price risk
Schroders	✓			✓
L&G	✓			✓
Baillie Gifford	✓	✓	✓	✓
Ruffer	✓	✓	✓	✓
Blackstone	✓	✓	✓	✓
CTI*	✓	✓	✓	
PIMCO	✓		✓	
M&G	✓		✓	✓
Partners	✓	✓	✓	✓
Beach Point	✓	✓	✓	✓
BGO	✓		✓	✓

*The CTI mandate includes currency forward contracts used to hedge the Blackstone and Beach Point mandates and the short-dated credit portfolio.

Derivatives

The Scheme's fund managers employ a range of derivatives, including options, futures, swaps, foreign exchange forwards and repurchase agreements. Definitions and examples of these derivatives are set out below together with a description of their uses and benefits, main risks and risk monitoring.

Options

Uses and benefits
- Serve as a substitute for physical assets.
- Provide exposure to the price activity, or volatility, of an underlying physical security or index.
- Risk management.

Main risks
- Counterparty risk.
- Risk that the value of the option changes over time.

Risk monitoring
- The investment managers ensure all positions are properly collateralised.

Futures

Uses and benefits
- Serve as a substitute for physical assets.
- Provide exposure in markets where no physical securities are available.
- Capital efficiency.
- Risk management.

Main risks
- Liquidity risk: obligation to meet the margin requirement determined by the daily price change of the futures contract.
- Basis risk: the value of the derivative instrument may not move exactly in-line with the value of the underlying physical asset.

Risk monitoring
- Portfolio managers maintain more liquid assets than would be required for a traditional portfolio to meet daily margin flows.
- Invest in high-quality instruments with a lower volatility. Ensure that the position is sufficiently collateralised.

Swaps

Uses and benefits
- Serve as a substitute for physical assets.
- Provide exposure in markets where no physical securities are available.
- Capital efficiency.
- Risk management

Main risks
- Counterparty risk due to over-the-counter nature (reduced by "central clearing").
- Collateral movements: collateral must be transferred between the broker/clearing member and portfolio regularly as the market value of the position exceeds an agreed upon threshold, as position size changes, or existing pieces of collateral mature.
- Liquidity risk.

Risk monitoring
- The counterparties that the Scheme enters into swaps with are generally rated single A or higher. In addition, the counterparty risk is limited to the current market value of the position, not the bond equivalent value. Counterparty risk is assessed and monitored by the investment managers.
- The investment managers have specialist collateral management teams that continually monitor the collateral positions and risk exposures. In addition, they require counterparties to post high quality collateral daily to mitigate exposure.
- Portfolio managers maintain more liquid assets than would be required for a traditional portfolio in order to meet collateral requirements.
  Introduction of "central clearing" results in the portfolio facing a clearing house rather than a bank

Foreign Exchange Forwards

Uses and benefits
- Hedge overseas currency exposure.
- Capital efficiency.
- Risk management

Main risks
- Liquidity risk: obligation to meet the margin requirement determined by the daily price change of the futures contract.
- Basis risk: the value of the derivative instrument may not move exactly in-line with the value of the underlying physical asset.

Risk monitoring
- Portfolio managers maintain more liquid assets than would be required for a traditional portfolio in order to meet daily margin flows.
- Ensure that the position is sufficiently collateralised.

Repurchase Agreements

Uses and benefits

- Hedge interest rate and inflation risks in a more capital efficient way.
- Capital efficiency.
- Risk management

Main risks

- Liquidity
- Counterparty (reduced by "central clearing")
- Roll risk

Risk Monitoring

- The liquidity and counterparty exposures are monitored by the investment manager. Liquidity risk is monitored on a regular basis and reflected in the size of any allocation to repurchase agreements.
- Counterparty exposures are mitigated through the ongoing monitoring of the credit quality of any counterparty and robust collateralisation procedures.
- Repurchase contracts need to be executed on a frequent basis due to the short-term nature of the repurchase agreements. The risk that a replacement contract cannot be executed on maturity is called 'roll risk'. Roll risk cannot be mitigated entirely but is reduced by staggering the maturity dates of the repurchase agreement so that only a portion of the exposure expires on any one day.

Other Matters

GMP Equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. This matter is being considered by the Trustees of the Scheme at regular meetings and decisions will be made as to the next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

The Trustees have obtained an estimate of the backdated benefits for the period of £1.2m. This estimate is based on the Trustees' view of the most likely equalisation methodology to be adopted and a top down assessment of the likely impact on members. This has been recognised as an accrual in the Scheme financial statements as at 31 March 2024 (£1.2m as at 31 March 2023).

However, the judgement did not address transfers out. A second judgement was handed down on 20 November 2020 which concluded that top-up payments are required for impacted historic transfer values. Based on an initial assessment the Trustees do not expect these top-up payments to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements.

Transaction Costs

Transaction costs are incurred by investment managers on behalf of the Scheme. The amount of indirect costs over the year for pooled investment vehicles is not separately provided to the Trustees. As such, it has not been practical for the Trustees to quantify such costs. For the Scheme's segregated investments, the transaction costs incurred by the managers over the 12 months to 31 March 2024 totalled c£253k and are summarised below:

- Schroders incurred c£9k in transaction costs on equity investments.
- Ruffer incurred c£6k in transaction costs over the period (all on equity investments and Pooled Investment Vehicles).
- CTI incurred transaction costs amounting to £168k over the period (all on foreign exchange contracts; fixed income trades are free from commission, market fees and taxes).
- PIMCO incurred c£70k in transaction costs on the corporate bond investments.

Custodial Arrangements

For the Focus section, the Trustees have appointed JP Morgan Chase Bank N.A ("JP Morgan") as the global custodian for the assets managed in segregated portfolios by Schroders, Ruffer, PIMCO and CTI. The Trustees are not required to select a custodian for the assets invested in the pooled funds or life policies managed by Legal & General, Baillie Gifford, Blackstone, M&G, Beach Point and BGO and the bespoke pooled funds managed by Partners.

Self-Investments

It is the Trustees' policy that the Scheme's assets will not be directly invested in any "employer related investments" (as defined in the Order and the Regulations) including any shares or other securities issued by the employer or by any person who is connected with, or an associate of, the employer.

Where the Scheme's assets are invested in pooled investment vehicles, which may hold employer related investments as part of their investment strategy, the Trustees will seek to require the investment managers of such pooled vehicles to notify promptly the Trustees of any investment by such pooled vehicles in employer-related investments so that the Trustees can ensure that employer related investments (including those held through such pooled vehicles and attributable to the Scheme under the Order and the Regulations) do not in aggregate exceed the statutory limit of 5% of the Scheme's assets. The Trustees will provide details of the group structure to the investment managers and will update the investment managers of any changes which may be made to this structure.

Where the manager of a pooled vehicle is unable to provide such notification due to the nature of the pooled vehicle (eg fund of funds) or other considerations, the Trustees (with the help of their advisers) will make necessary assumptions and calculations to ensure that their investment in such pooled vehicles does not cause the overall exposure to employer-related investments to exceed the statutory 5% threshold.

Consideration of financially material and non-financial matters

The Trustees have considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members, since they recognise that these factors can be relevant to investment performance.

The Trustees influence the Scheme's approach to ESG and other financially material factors through their investment strategy and manager selection decisions. The Trustees expect their investment managers to take account of financially material considerations (including climate change and other ESG considerations) within the parameters of the mandates they are set. The Trustees seek to appoint managers that have appropriate skills and processes to do this, and regularly review how their managers are taking account of these issues in practice.

The Trustees have limited influence over managers' investment practices where assets are held in pooled funds, but they encourage their managers to align their practices with the Trustees' policies where appropriate (and meet with the managers on a regular basis to ensure this remains the case).

The Trustees do not take account of any non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention, and realisation of investments for the Focus section.

Within the Options Section, the Trustees recognise that some members may wish for ESG factors to be more explicitly reflected in their investments and therefore have made available an ESG Equity Tracker Fund as an investment option to members in the self-select fund range.

Stewardship practices

The Trustees recognise their responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.

The Trustees have delegated to their investment managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG factors.

The Trustees monitor managers' activities in relation to ESG factors, voting and engagement on a regular basis. The Trustees seek to understand how the managers are implementing their stewardship policies in practice to check that their stewardship is effective and aligned with their expectations.

The Trustees have selected some priority ESG themes to provide a focus for their monitoring of investment managers' voting and engagement activities. The Trustees review the themes regularly and update them if appropriate. The

Trustees communicate these stewardship priorities to their managers each year and also confirm their more general expectations in relation to ESG factors, voting and engagement.

If the Trustees' monitoring identifies areas of concern, they will engage with the relevant manager to encourage improvements. The Trustees will set objectives and target dates for each formal engagement, review progress, and have an escalation process which they will follow if progress is unsatisfactory.

The Trustees seek to appoint managers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time they review how these are implemented in practice.

Implementation of asset manager arrangements

Before investing in any manner, the Trustees obtain and consider proper written advice from their investment adviser as to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

The Trustees have signed agreements with the investment managers, and a platform provider in respect of the Options Section setting out the terms on which the portfolios are to be managed. The Options Section platform provider makes available the range of investment options to members. There is no direct relationship between the Scheme and the underlying managers of the investment funds.

The Trustees have limited influence over managers' investment practices because the majority of the Scheme's assets are held in pooled funds, but they encourage their managers to align their practices with the Trustees' policies where appropriate (and meet with the managers on a regular basis to ensure this remains the case).

The Trustees' view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high-quality service that meets the stated objectives, guidelines and restrictions of the relevant mandate. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustees' responsibility to ensure that the managers' investment approaches are consistent with their policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustees expect investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance in the medium to long-term. They assess this when selecting and monitoring managers. In relation to monitoring managers, the Trustees receive annual updates from the managers in relation to their engagement with issuers.

The Trustees evaluate investment manager performance by considering performance over both shorter, medium and longer-term periods as appropriate. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustees would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustees' policy is to evaluate each of their investment managers by reference to the manager's individual performance as well as the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustees recognise that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. In addition, the Trustees expect their managers to ensure portfolio turnover remains within any limits set out in portfolio guidelines, and to monitor portfolio turnover costs over time, seeking efficiencies where appropriate. The Trustees expect their investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

Going concern basis of accounting

The Trustees have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for the period to 4 October 2025. Consequently, the Trustees have concluded that it is appropriate to prepare the financial statements on a going concern basis.

In arriving at their conclusion, the Trustees' have considered the following:

- The Scheme is invested in a well-diversified portfolio of investments including significant liquid assets and receives ad hoc payments from maturing assets. The investment adviser takes cashflow into account when providing advice on the overall structure of the investment portfolio.

  The investment advisor also provides a regular projection of expected income from the Scheme's assets to highlight any expected shortfall in advance.

  A cashflow forecast is carried out by the administration team on a regular basis to ensure there are sufficient funds in the bank account and where this is not the case a disinvestment is carried out. Advice is obtained from the investment adviser to disinvest assets, based on actual vs strategic asset allocations.

- There has not been nor is there expected to be any application from the Principal and Participating employers for a suspension or reduction in pension contributions, or a concern over its ability to continue to make contributions over the next twelve months, hence the Trustees expect that all future contributions will be paid in accordance with the Schedule of Contributions. Further, there has been no application or indication by the Principal and Participating Employers to wind up the scheme.

- The Trustees monitor the collateral adequacy of the Scheme's LDI portfolio on an ongoing basis and are satisfied that there is currently sufficient eligible collateral to withstand well in excess of the minimum level of yield rises outlined by TPR. In addition, the Trustees hold a liquid portfolio of short duration corporate bonds within the LDI portfolio, which can be used as additional collateral support should it be needed in a rising yield environment. The Trustees are therefore satisfied there is a robust collateral management framework in place to manage liquidity risk, which has been further supported by recent de-risking decisions to reduce the Scheme's absolute return portfolio in favour of more liquid forms of credit assets.

Section 37 Confirmations

We are aware of the Court of Appeal ruling in the Virgin Media case, which states that any amendments to section 9(2B) rights are void without a written section 37 (equivalent to section 33 of the Pension Schemes (Northern Ireland) Act 1993) confirmation from the Scheme actuary. This ruling encompasses both past and future service rights. In consultation with our legal advisors, and based on (a) an initial review of the deeds of amendment executed during the period, and (b) the context of the Protected Persons legislation applicable to members of the Focus Section of the Scheme, we have resolved that no immediate action is required by the Trustees at this stage. We have no reason to believe that from 6 April 1997 until the abolition of contracting out in 2016, the Scheme was not operating in compliance with the requirements to provide benefits meeting the statutory standard of section 9(2B) rights as per the Pension Schemes (Northern Ireland) Act 1993. On that basis, there has been no provision or contingent liability note included in the annual report and financial statements. We understand the significance of these legal matters and commit to closely monitoring future developments.

OPTIONS SECTION

Investment Strategy

The Trustees completed their triennial investment strategy review in June 2023 and decided to make the following changes:

- To increase the equity allocation and include an explicit allocation to emerging market equities within the NIEPS – Growth Fund.
- To increase downside protection within the NIEPS - Diversified Fund by including an underlying fund that has lower correlation with the other asset classes used in the default and is more focussed on capital preservation.
- To make available a Shariah Fund as part of the self-select fund range.
- To close the Aegon Standard Life Global Absolute Return Strategies Fund to new contributions.

All the changes apart from the NIEPS – Diversified Fund were made within the Scheme year.

The Aegon Standard Life Global Absolute Return Strategies Fund was removed from the self-select fund range during the Scheme year as the underlying manager closed the Fund.

The current lifestyle strategies employ five building block funds:

(i) NIEPS Growth Fund – comprising 67.5% allocation to the Aegon BlackRock MSCI World Index, a 7.5% allocation to the Aegon BlackRock Emerging Market Equity Index Fund and a 25% allocation to the Legal and General ("L&G") Diversified Fund;
(ii) NIEPS Diversified Fund - comprising 50% allocation to the L&G Diversified Fund and 50% to the Aegon BlackRock Dynamic DGF;
(iii) NIEPS Bond Fund - comprising 100% allocation to the Aegon BlackRock Short Duration Credit Fund;
(iv) NIEPS Annuity Tracking Fund - comprising 100% allocation to the Aegon BlackRock Pre-Retirement Fund; and
(v) NIEPS Cash Fund - comprising 100% allocation to the Aegon BlackRock Cash Fund

In addition, the Trustees offer nine self-select funds (please note that the above five building block funds are also available on a self-select basis).

As at 31 March 2024, members' assets were invested as shown in the table below.

Fund	**£'000**
Lifestyle Strategies	
NIEPS - Growth	**37,036**
NIEPS - Diversified	**18,725**
NIEPS - Bond	**1,927**
NIEPS - Annuity Tracking	**169**
NIEPS - Cash	**1,149**
Self-Select	
Aegon BlackRock diversified growth	**1,823**
Aegon BlackRock UK equity optimum	**9,185**
Aegon BlackRock property	**546**
Aegon BlackRock over 15 years corporate bond index	**481**
Aegon BlackRock World ESG Equity Tracker	**2,795**
Aegon BlackRock index-linked gilt	**444**
Aegon BlackRock 50:50 global equity index	**8,012**
Aegon BlackRock emerging markets equity index	**1,741**
NIEPS – Islamic Global Equity Fund	**227**
Total	**84,260**

All funds are managed by investment managers who are registered in the UK. The fund options provided to members in the Options section are priced daily. The funds are open-ended and unlisted.

Investment Performance

Performance of the funds within the lifestyle strategies to 31 March 2024 is set out below. These funds were made available to members in April 2021.

NIEPS - Growth

	1 year (%)	3 year (% pa)
Return	16.6	7.5
Benchmark	9.5	7.0
Relative	7.1	0.5

NIEPS - Diversified

	1 year (%)	3 year (% pa)
Return	8.2	2.2
Benchmark	8.6	5.0
Relative	(0.4)	(2.8)

NIEPS - Bond

	1 year (%)	3 year (% pa)
Return	6.1	0.3
Benchmark	6.5	4.0
Relative	(0.4)	(3.7)

NIEPS - Annuity Tracking

	1 year (%)	3 year (% pa)
Return	1.3	(7.6)
Benchmark	1.0	(8.0)
Relative	(0.3)	0.4

NIEPS - Cash

	1 year (%)	3 year (% pa)
Return	4.9	2.2
Benchmark	4.9	2.4
Relative	0.0	(0.2)

The tables below summarise the performance of the self-select Options funds after fees versus the relevant benchmark returns.

Aegon BlackRock Diversified Growth

The Aegon BlackRock Diversified Growth Fund aims to outperform the Bank of England Base rate by 3.5% pa. For performance measurement, the Trustees assume a cash benchmark of the Bank of England Base rate.

	1 year (%)	3 years (% pa)	5 years (% pa)
Return	8.4	1.8	3.7
Benchmark	5.0	2.5	1.6
Relative	3.4	(0.7)	2.1

Aegon BlackRock UK Equity Optimum

	1 year (%)	3 years (% pa)	5 years (% pa)
Return	12.9	8.3	7.2
Benchmark	8.4	8.1	5.4
Relative	4.5	0.2	1.8

Aegon BlackRock Property

	1 year (%)	3 years (% pa)	5 years (% pa)
Return	1.7	1.2	0.9
Benchmark	(0.7)	1.5	1.4
Relative	2.4	(0.3)	(0.5)

Aegon BlackRock Over 15 Years Corporate Bond Index

	1 year (%)	3 years (% pa)	5 years (% pa)
Return	5.1	(9.9)	(3.7)
Benchmark	5.4	(9.5)	(3.4)
Relative	(0.3)	(0.4)	(0.3)

Aegon BlackRock World ESG Equity Tracker

The Aegon Blackrock World ESG Equity Tracker fund was added to the fund range available to members in April 2021.
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	1 year (%)	3 years (% pa)
Return	21.5	11.1
Benchmark	21.4	11.0
Relative	0.1	0.1

Aegon BlackRock Index-Linked Gilt

	1 year (%)	3 years (% pa)	5 years (% pa)
Return	(6.9)	(12.2)	(6.7)
Benchmark	(6.8)	(12.1)	(6.5)
Relative	(0.1)	(0.1)	(0.2)

Aegon BlackRock 50/50 Global Equity Index

	1 year (%)	3 years (% pa)	5 years (% pa)
Return	12.9	8.3	7.8
Benchmark	13.2	8.7	8.2
Relative	(0.3)	(0.4)	(0.4)

Aegon BlackRock Emerging Markets Equity Index

	1 year (%)	3 years (% pa)	5 years (% pa)
Return	4.9	(3.4)	2.5
Benchmark	6.2	(2.6)	3.1
Relative	(1.3)	(0.8)	(0.6)

NIEPS – Islamic Global Equity Fund

The NIEPS – Islamic Global Equity Fund was added to the fund range available to members in September 2023.

	3 months (%)
Return	12.2
Benchmark	12.5
Relative	(0.3)

Investment Risks

Members' assets are invested in pooled funds and are subject to credit and market risks as noted below.

Credit Risk

Pooled funds Pooled funds are collective investment vehicles where investors' money is pooled together to purchase assets. Investors are allotted a share of those assets in the form of units in the pooled fund. The value of units will go up and down depending on the value of the underlying assets held within the portfolio.	Direct credit risk	The Scheme invests in pooled funds and is therefore directly exposed to credit risk in relation to the solvency of the investment manager and custodian of those funds. Direct credit risk arising from pooled funds is mitigated by the underlying assets of the pooled funds being ring-fenced from the investment managers, the regulatory environments in which the pooled fund managers operate and diversification of the Scheme's investments across a number of pooled funds. The Trustees, with the help of their advisers, carry out due diligence checks prior to the appointment of any new investment manager or fund, and monitor for changes to the operating environment of the existing investments.
	Indirect credit risk	The Scheme is indirectly exposed to credit risks arising from the underlying investments held by the pooled funds, where they invest in bonds and other assets of a contractual nature. The managers of these pooled funds manage credit risk by having a diversified exposure to bond issuers or highly rated issuers (e.g. the UK government), conducting thorough research on the likelihood of default of those issuers, having only a limited exposure to bonds rated below investment grade, and arranging security against borrower default where appropriate. The magnitude of credit risk within each fund will vary over time, as the managers change the underlying investments in line with their views on markets, asset classes and specific securities.

Market Risk

a. Currency risk

A portion of the Scheme's Options section assets are also exposed to indirect currency risk. However, the Trustees believe that the risk that exists allows members to diversify investments and is appropriate. In addition, all funds available to members are Sterling-denominated share classes.

b. Interest rate risk

The Scheme's Options section assets in pooled bond funds and some of the underlying holdings within the growth and diversified funds are subject to interest rate risk. The Trustees believe that including exposure to bond funds within some of the lifestyle strategies available to members is appropriate to serve as a diversifying asset in the event that equity markets decline. The inclusion of bonds or annuity tracking funds within all three lifestyle strategies is appropriate since this reduces the volatility of the members' assets relative to annuity prices to give them more certainty. Bond funds are also offered as self-select options to members, and may be used by members to diversify against other types of risk.

c. Other price risk

The Trustees believe that the DC default strategy is adequately diversified between different asset classes and within each asset class to manage this risk. The DC funds available provide a suitable diversified range for members to choose from.

Credit and Market Risk

The Options section funds are subject to credit (both direct and indirect) and market risk. The material risk exposures are set out below:

Fund	Credit risk	Currency risk	Interest rate risk	Other price risk
NIEPS Growth	✓	✓	✓	✓
NIEPS Diversified	✓	✓	✓	✓
NIEPS Bond Class	✓		✓	
NIEPS Annuity Tracking	✓		✓	
NIEPS Cash				
Aegon BlackRock diversified growth	✓	✓	✓	✓
Aegon BlackRock UK equity optimum				✓
Aegon BlackRock property	✓			✓
Aegon BlackRock over 15 years corporate bond index	✓		✓	
Aegon BlackRock World ESG equity tracker		✓		✓
Aegon BlackRock index-linked gilt			✓	
Aegon BlackRock 50/50 global equity index		✓		✓
Aegon BlackRock emerging markets equity index		✓		✓
NIEPS Islamic Global Equity		✓		✓

Peter Ewing Trustee Date 4th October 2024

David Hill Trustee Date 4th October 2024

CONTRIBUTIONS

Summary of Contributions

During the year ended 31 March 2024 the contributions payable to the Scheme under the schedule of contributions were as follows:

	£'000
Contributions by participating employers (Focus section)*	21,125
Contributions by members (Focus section)	253
AVC contributions by members (Focus section)	232
Contributions by participating employers (Options section)*	10,891
Contributions by members (Options section)	562
Total contributions under schedule of contributions	**33,063**

*includes SMART contributions

Peter Ewing Trustee Date 4th October 2024

David Hill Trustee Date 4th October 2024

Independent Auditor's Statement about Contributions to the Trustees of the Northern Ireland Electricity Pension Scheme

We have examined the summary of contributions to the Northern Ireland Electricity Pension Scheme for the scheme year ended 31 March 2024 which is set out in the Trustees' Report on page 36.

In our opinion contributions for the scheme year ended 31 March 2024 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the scheme actuary on 8 February 2023.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions on page 36 have in all material respects been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the schedule of contributions.

Respective responsibilities of Trustees and the auditor

As explained more fully in the Statement of Trustees' Responsibilities, the scheme's Trustees are responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the scheme by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a Statement about Contributions paid under the schedule of contributions and to report our opinion to you.

Use of our statement

This statement is made solely to the scheme's Trustees, as a body, in accordance with regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the scheme's Trustees those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the scheme's Trustees as a body, for our work, for this statement, or the opinions we have formed.

Ernst & Young

Ernst & Young

Statutory Auditor

Cork

Date 8 October 2024

Statement of Trustees' Responsibilities

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102), are the responsibility of the Trustees. Pension scheme regulations require the Trustees to make available to scheme members, beneficiaries and certain other parties, audited financial statements for each scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations (Northern Ireland) 1997, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the scheme will not be wound up.

The Trustees are also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of normal contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustees are required by the Pensions (Northern Ireland) Orders 1995 and 2005 to consider making reports to the Pensions Regulator and the Members.

The Trustees have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Report of the Trustees was approved by the Trustees.

Signed on behalf of the Trustees:

Peter Ewing Trustee Date 4th October 2024

David Hill Trustee Date 4th October 2024

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF NORTHERN IRELAND ELECTRICITY PENSION SCHEME

Opinion

We have audited the financial statements of Northern Ireland Electricity Pension Scheme (the Scheme) for the year ended 31 March 2024 which comprise the Fund Account, the Statement of Net Assets available for benefits and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2024, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of 12 months from the date when the Scheme's financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Scheme's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF NORTHERN IRELAND ELECTRICITY PENSION SCHEME (Continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements, our auditor's report thereon and our auditor's statement about contributions. The Trustees are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 38, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements the Trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to wind up the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF NORTHERN IRELAND ELECTRICITY PENSION SCHEME (Continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the Trustees.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Scheme and determined that the most significant related to pensions legislation and the financial reporting framework. These are the Pensions Act 1995 and 2004 (and regulations made thereunder), FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice (Financial Reports of Pension Schemes). We considered the extent to which a material misstatement of the financial statements might arise as a result of non-compliance.
- We understood how the Scheme is complying with these legal and regulatory frameworks by making enquiries of the Trustees. We corroborated our enquiries through our review of the Trustees' meeting minutes.
- We assessed the susceptibility of the Scheme's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Scheme has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. In our assessment, we considered the risk of management override of controls. Our audit procedures included verifying cash balances and investment balances to independent confirmations, testing manual journals on a sample basis and also those journals where there is an increased risk of override, and an assessment of segregation of duties. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the Trustees for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of Trustees' minutes.
- The Scheme is required to comply with UK pensions regulations. As such, we have considered the experience and expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Scheme with these regulations as part of our audit procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF NORTHERN IRELAND ELECTRICITY PENSION SCHEME (Continued)

Use of our report

This report is made solely to the Scheme's Trustees, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young

Ernst & Young
Statutory Auditor
Cork

Date: 8 October 2024

FINANCIAL STATEMENTS

Fund Account – for the Year Ended 31 March 2024

Contributions and benefits	Note	**2024 Focus Section £'000**	2023 Focus Section £'000	**2024 Options Section £'000**	2023 Options Section £'000	**2024 Focus and Options £'000**	2023 Focus and Options £'000
Employer contributions	3	**21,125**	28,295	**10,891**	8,264	**32,016**	36,559
Employee contributions	3	**485**	490	**562**	475	**1,047**	965
Transfers in		**2,428**	-	**398**	252	**2,826**	252
Benefits paid	4	**(61,999)**	(57,488)	**(613)**	(552)	**(62,612)**	(58,040)
Transfers to other schemes	4	**(416)**	(6,413)	**(893)**	(785)	**(1,309)**	(7,198)
Contributions refunded		**(135)**	(111)	**-**	-	**(135)**	(111)
Other income		**(51)**	121	**-**	-	**(51)**	121
Administrative expenses	5	**(1,516)**	(1,480)	**(867)**	(693)	**(2,383)**	(2,173)
Net (withdrawals)/additions		**(40,079)**	(36,586)	**9,478**	6,961	**(30,601)**	(29,625)
Returns on investments							
Investment income (net)	6	**8,518**	23,519	**-**	-	**8,518**	23,519
Change in market value	7	**5,458**	(250,945)	**9,218**	(1,596)	**14,676**	(252,541)
Investment management expenses	8	**(1,740)**	(1,840)	**-**	-	**(1,740)**	(1,840)
Net return on investment		**12,236**	(229,266)	**9,218**	(1,596)	**21,454**	(230,862)
Net (decrease)/increase in the fund		**(27,843)**	(265,852)	**18,696**	5,365	**(9,147)**	(260,487)
Net assets at 1 April 2023		**936,999**	1,202,851	**65,564**	60,199	**1,002,563**	1,263,050
Net assets at 31 March 2024	**7**	**909,156**	936,999	**84,260**	65,564	**993,416**	1,002,563

Net Assets Statement – as at 31 March 2024

	Note	2024 £'000	2023 £'000
Focus section			
Funds under management: -			
- equities	7	**16,415**	32,570
- diversified growth	7	**16,378**	16,348
- fixed interest	7	**570,878**	415,851
- index-linked	7	**217,658**	299,885
- managed funds	7	**18,268**	20,681
- pooled investment vehicles	7	**260,417**	323,058
Total funds under management		**1,100,014**	1,108,393
Additional voluntary contributions (AVCs)	10	**2,244**	2,071
Bonus investments	11	**2,895**	3,067
Other investments		**80**	151
Derivative assets	12	**93,035**	105,686
Derivative liabilities	12	**(170,609)**	(165,990)
Other investment assets	13	**136,627**	100,195
Other investment liabilities	14	**(267,518)**	(229,884)
Current assets	15	**16,399**	16,065
Current liabilities	16	**(4,011)**	(2,755)
Total Focus section net assets		**909,156**	936,999
Total Options section net assets (pooled investment vehicles)	17	**84,260**	65,564
Total scheme net assets	7	**993,416**	1,002,563

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposition of the Trustees. They do not take account of obligations to pay pensions and benefits, which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Trustees' Report.

These financial statements were approved by the Trustees.

Signed on behalf of the Trustees:

Peter Ewing Trustee Date 4th October 2024

David Hill Trustee Date 4th October 2024

Notes to the Accounts - as at 31 March 2024

1. Basis of Preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) – the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council (FRC) and the guidance set out in the Statement of Recommended Practice (SORP) 2018).

2. Accounting Policies

Contributions
Employer's and members' contributions are accounted for on an accruals basis at rates agreed between the Trustees and the employer based on the recommendations of the Scheme Actuary and the schedule of contributions. Members' additional voluntary contributions (AVCs) are accounted for on an accruals basis.

Employer deficit funding contributions are accounted for on an accruals basis, in accordance with the schedule of contributions under which they are paid.

Augmentation contributions are accounted for in accordance with the agreement under which they are payable. In the absence of any formal agreement they are accounted for on a receipts basis.

Investment income
Income from fixed interest securities, index-linked securities and cash is taken into account on an accruals basis, calculated on a daily basis.

Income from equity investments is included in the accounts on the date when the securities are quoted ex-dividend.

Income arising from the underlying investments of pooled investment vehicles which is reinvested within such vehicles is reflected in the unit price. Such income is reported within the change in market value.

Individual transfers
Individual transfers to and from the Scheme during the year are included in the financial statements on the basis of when the member liability is accepted or discharged.

Benefits
Benefits payable are included in the financial statements on an accruals basis when the member notifies the Trustees as to the type or amount of benefit to be taken, or where there is no choice, on the date of retirement or leaving.

Administrative expenses and investment management expenses
Administrative expenses and investment management expenses are accounted for on an accruals basis.

Foreign currencies
The Scheme's functional and presentation currency is the GBP(£). Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the Scheme year-end. Gains and losses on foreign currency investment and cash balances are shown in aggregate within the change in market value of investments to which they relate in the Fund Account.

Investment income denominated in foreign currencies is recorded by applying the spot exchange rate ruling at the date on which the income relating to the investment falls due.

Investment assets
Investments listed on a recognised stock exchange are valued at closing prices as at the year-end, which are either the last quoted trade price or bid price depending on the market on which they are quoted.

Unlisted investments are stated at the Trustees' estimate of fair value based on advice of the investment manager or other appropriate professional adviser.

Pooled investment vehicles are valued at the closing bid price or, if single priced, at the closing single swinging price.

Fixed interest securities are stated at their clean prices, which exclude the value of interest accruing from the previous interest payment date to the valuation date. Accrued income is accounted for within investment income.

Derivatives
Derivatives with an initial purchase price are reported as purchases. Those that do not have an initial purchase price but require a deposit, such as an initial margin, to be placed with the broker are recorded at nil cost on purchase.

Derivative contracts are included in the net assets statement at fair value. Exchange traded derivatives with positive values are included in the Net Assets Statement as assets at bid price, and those with negative values as liabilities at offer price.

Options
Exchange traded options are valued at the fair value as determined by the closing price published by the relevant exchange as at the year-end. Options which are over the counter contracts are valued at fair value using prices provided as at the year end by independent price providers who in turn obtain pricing data from market makers.

Changes in the fair value of the option are reported within change in market value.

Collateral payments and receipts are reported within cash, and do not form realised gains or losses reported within change in market value.

Futures
Open futures contracts are recognised in the net asset statement at their fair value, which is the unrealised profit or loss at the current bid or offer market quoted price of the contract, as determined by the closing exchange price as at the year-end.

Amounts due from the futures broker represent the amounts outstanding in respect of the initial margin and any variation margin due to or from the broker.

Amounts included in the change in market value represent realised gains or losses on closed futures contracts and the unrealised gains or losses on open futures contracts.

Swaps
Swaps are valued at fair value, using prices provided as at the year end by independent price providers who in turn obtain pricing data from market makers. Interest is accrued monthly under the terms relating to individual contracts.

Net receipts or payments on swap contracts are reported as investment income. Realised gains and losses on closed contracts and unrealised gains or losses on open contracts are included within change in market value.

The notional principal amount is used for the calculation of cash flows only.

Forward foreign exchange contracts
Forward foreign exchange contracts outstanding at the year-end are stated at fair value, which is determined as the gain or loss that would arise if each outstanding contract was matched at the year-end with an equal and opposite contract at that date.

Changes in the fair value of the forward contracts are reported within change in market value in the Fund Account.

3. Contributions

	2024	2023
Focus section	**£'000**	£'000
Contributions by participating employers		
Future service	**9,728**	7,974
Past service	**11,245**	20,025
Other	**152**	296
	21,125	28,295
Contributions by members		
Normal	**253**	244
AVCs	**232**	246
	485	490
Options section		
Contributions by participating employers	**10,891**	8,264
Contributions by members	**562**	475
Total contributions	**33,063**	37,524

Contributions by participating employers of £11.245m in respect of past service were paid in equal monthly instalments from 1 April 2023 to 30 September 2023 in accordance with the Schedule of Contributions.

4. Benefits Paid

Focus section	**2024 £'000**	2023 £'000
Members' pensions	**46,677**	44,054
Lump sums on retirement	**5,869**	4,614
Lump sums on death	**50**	5
Widow(er)s' pensions and children's payments	**9,403**	8,815
	61,999	57,488
Options section		
Members' pensions	**387**	356
Lump sums on retirement	**84**	30
Lump sums on death	**2**	2
Widow(er)s' pensions and children's payments	**140**	164
	613	552
Total benefits paid	**62,612**	58,040
Transfers to other schemes		
Focus section		
Individual transfers	**416**	6,413
Options section		
Individual transfers	**893**	785
Total transfer to other schemes	**1,309**	7,198

5. Administrative Expenses

	2024 £'000	2023 £'000
Administration and processing	**850**	711
Actuarial fees	**484**	581
Audit fee	**46**	49
Legal and other professional fees	**136**	139
	1,516	1,480
Options insurance	**867**	693
Total administrative expenses	**2,383**	2,173

6. Investment Income (net)

	2024 £'000	2023 £'000
Equities	**969**	1,162
Authorised UK unit trusts	**19**	25
Diversified growth portfolio	**476**	(728)
Fixed interest	**11,238**	9,474
Index-linked	**1,545**	1,508
Inflation opportunities	**1,764**	2,246
Illiquid credit	**9,721**	5,326
Derivatives	**(12,447)**	7,734
Cash deposit/cash equivalent interest*	**(4,767)**	(3,228)
Total investment income	**8,518**	23,519

* *CTI invests in gilt repurchase agreements to create leveraged exposure to gilts markets. This process involves borrowing to finance the purchase of additional gilts. The Scheme is required to pay interest on any cash borrowed which is shown as negative income.*

7. Scheme Net Assets and Change in Market Value

The change in market value of investments comprises all increases and decreases in the market value of investments held at any time during the year, including all profits and losses realised on sales of investments during the year.

	Value at 1 April 2023 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in market value £'000	Value at 31 March 2024 £'000
Equities	32,570	1,698	(17,326)	(527)	16,415
Diversified growth	16,348	23,261	(22,532)	(699)	16,378
UK fixed interest	415,851	317,661	(166,321)	3,687	570,878
UK index-linked	299,885	75,288	(150,188)	(7,327)	217,658
Overseas managed funds	20,681	149,836	(152,901)	652	18,268
Pooled investment vehicles	323,058	17,103	(90,709)	10,965	260,417
Total *(note 9)*	**1,108,393**	**584,847**	**(599,977)**	**6,751**	**1,100,014**
AVC investments *(note 10)*	2,071	231	(264)	206	2,244
Bonus investments *(note 11)*	3,067	-	(385)	213	2,895
Other investments	151	-	-	(71)	80
	5,289	**231**	**(649)**	**348**	**5,219**
Options	1,426	-	-	(263)	1,163
Futures	(258)	268	(583)	512	(61)
Swaps	(64,662)	20,208	(24,245)	(9,062)	(77,761)
Forward foreign exchange	3,190	17,180	(28,457)	7,172	(915)
Total Net Derivative contracts *(note 12)*	**(60,304)**	**37,656**	**(53,285)**	**(1,641)**	**(77,574)**
Total Focus section assets under management	**1,053,378**	**622,734**	**(653,911)**	**5,458**	**1,027,659**
Other investment assets (note 13)	100,195				136,627
Other investment liabilities (note 14)	(229,884)				(267,518)
Current assets (note 15)	16,065				16,399
Current liabilities (note 16)	(2,755)				(4,011)
Total Focus section net assets	**936,999**				**909,156**
Total Options section net assets	**65,564**	**10,559**	**(1,081)**	**9,218**	**84,260**
Total scheme net assets	**1,002,563**	**633,293**	**(654,992)**	**14,676**	**993,416**

The following tables analyse the Focus Section's exposure to risk as at 31 March 2024 and 31 March 2023. The Trustees' comments on risk management are set out in pages 21 to 26.

Credit risk

Direct	**2024 £m**	2023 £m
Ruffer	**9.6**	7.3
CTI*	**361.2**	345.9
PIMCO	**216.3**	188.4
Partners	**31.5**	44.6
Pooled investment vehicles	**235.0**	288.2
	853.6	874.4
Indirect		
Partners	**31.5**	44.6
Pooled investment vehicles	**202.7**	234.0
	234.2	278.6

* *This reflects the value of collateral to the Scheme (i.e. the total market value of the portfolio).*

Interest rate risk

	2024 £m	2023 £m
Direct		
Ruffer	**9.6**	7.3
CTI*	**753.5**	842.3
PIMCO	**216.3**	188.4
	979.4	1,037.9
Indirect		
Partners	**31.5**	44.6
Pooled investment vehicles	**201.5**	232.8
	233	277.4

* *This reflects the leveraged exposure of the LDI portfolio (which offsets interest rate risk inherent in the Scheme's liabilities).*

Currency risk

	2024 £m	2023 £m
Direct		
Ruffer	**3.7**	6.4
Pooled investment vehicles	**121.6**	145.6
CTI*	**100.9**	136.7
	24.4	15.3
Indirect		
Partners	**2.8**	0.3
Pooled investment vehicles	**146.7**	173.2
	149.5	173.5

* *This reflects the notional exposure to currency risk as a result of derivatives held by CTI to (partially) hedge the USD-denominated Blackstone and Beach Point investments to GBP. These two exposures partially offset each other when summing overall currency risk.*

Other price risk

	2024 £m	2023 £m
Direct		
Schroders	**15.2**	30.8
Ruffer	**2.8**	2.6
CTI	**(317.3)**	(274.8)
	(299.3)	(241.4)
Indirect		
Partners	**31.5**	44.6
Pooled investment vehicles	**235.0**	288.2
	266.5	332.8

The fund is also exposed to other risk, including employer covenant, the long-term actuarial liabilities and funding risk which is not addressed in the financial statements which only report on investment risk.

The following tables analyse the Options Section's exposure to risk as at 31 March 2024 and 31 March 2023. Values are shown in £m

Credit risk

	2024 £m	2023 £m
Direct		
Pooled investment vehicles	**84.3**	65.6
Indirect		
Pooled investment vehicles	**60.9**	48.9

Interest rate risk

Indirect	2024 £m	2023 £m
Pooled investment vehicles	**60.9**	48.5

Currency risk

Indirect	2024 £m	2023 £m
Pooled investment vehicles	**70.4**	54.6

Other price risk

Indirect	2024 £m	2023 £m
Pooled investment vehicles	**80.1**	62.0

Fair value hierarchy

The fair value of financial instruments has been determined using the following fair value hierarchy:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly. This category includes quoted equity prices that are not considered recent and open-ended pooled funds priced on a daily, weekly and monthly basis.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable for the asset or liability).

The tables below set out the categorisation of assets held by the Scheme as at 31 March 2024 and 31 March 2023 under the fair value hierarchy. Values are shown in £m.

31 March 2024

Focus section **Asset**	**Level 1** **£m**	**Level 2** **£m**	**Level 3** **£m**	**Total** **£m**
Equities	15.6	0.8	-	16.4
Diversified growth	10.9	4.3	1.2	16.4
Fixed interest	570.9	-	-	570.9
Index-linked	217.6	-	-	217.6
Managed funds	18.3	-	-	18.3
Pooled investment vehicles	-	50.0	210.4	260.4
Derivatives	-	(77.5)	-	(77.5)
AVCs	-	2.2	-	2.2
Bonus investments	-	2.9	-	2.9
Cash	99.5	-	-	99.5
Other investment balances	-	(230.4)	-	(230.4)
TOTAL	**932.8**	**(247.7)**	**211.6**	**896.7**

Options section **Aegon BlackRock funds**	**Level 1** **£m**	**Level 2** **£m**	**Level 3** **£m**	**Total** **£m**
TOTAL	**-**	**84.2**	**-**	**84.2**

31 March 2023

Focus section **Asset**	**Level 1** **£m**	**Level 2** **£m**	**Level 3** **£m**	**Total** **£m**
Equities	31.2	1.3	-	32.5
Diversified growth	8.3	6.4	1.7	16.4
Fixed interest	415.9	-	-	415.9
Index-linked	299.9	-	-	299.9
Managed funds	20.7	-	-	20.7
Pooled investment vehicles	-	68.4	254.6	323.0
Other investment	0.2	-	-	0.2
Derivatives	-	(60.3)	-	(60.3)
AVCs	-	2.1	-	2.1
Bonus investments	-	3.0	-	3.0
Cash	75.9	-	-	75.9
Other investment balances	-	(205.7)	-	(205.7)
TOTAL	**852.1**	**(184.8)**	**256.3**	**923.6**

Options section **Aegon BlackRock funds**	**Level 1** **£m**	**Level 2** **£m**	**Level 3** **£m**	**Total** **£m**
TOTAL	**-**	**65.6**	**-**	**65.6**

8. Investment Management Expenses

	2024 **£'000**	2023 £'000
Administration, management, custody	**1,299**	1,398
Other advisory fees	**441**	442
Total investment management expenses	**1,740**	1,840

9. Focus Section – Funds under Management (excluding AVCs and Bonus Investments)

	2024 £'000	2023 £'000
Schroder UK quoted	**15,592**	31,260
Schroder unit trusts	**823**	1,310
Legal & General overseas equity managed fund	**29,759**	48,797
Baillie Gifford diversified growth fund	**20,243**	19,628
Ruffer diversified growth portfolio:		
Equities	**3,200**	4,189
Fixed interest gilts	**7,975**	1,928
Index-linked gilts	**1,750**	5,285
Credit and illiquid strategies	**1,182**	1,684
Other investments	**2,271**	3,262
Blackstone strategic opportunity offshore fund	**28,534**	74,476
CTI UK public sector quoted	**255,435**	170,603
CTI UK corporate quoted	**20,770**	12,613
CTI Overseas corporate quoted	**77,284**	44,126
CTI Overseas corporate unquoted	**1,047**	871
PIMCO UK corporate quoted	**42,810**	29,942
PIMCO UK corporate unquoted	**5,772**	5,425
PIMCO Overseas corporate quoted	**155,561**	140,902
PIMCO Overseas corporate unquoted	**12,199**	11,369
CTI UK quoted	**217,658**	299,885
CTI Overseas managed funds	**18,268**	20,681
M&G inflation opportunities fund	**47,114**	49,611
M&G illiquid credit opportunities fund	**10,196**	14,815
Partners private market strategies fund	**31,541**	44,596
Beach Point opportunities offshore feeder fund	**73,599**	59,312
BGO secured lending III LP	**19,431**	11,823
Total funds under management	**1,100,014**	1,108,393

All funds are managed by investment managers who are registered in the UK. The Scheme's investments in the Beach Point opportunities offshore feeder fund and the CTI and PIMCO fixed interest funds exceed 5% of the net assets of the Scheme.

10. Focus Section - AVC Investments

AVCs are invested separately in the form of individual pension accounts, securing additional benefits on a money purchase basis for those members electing to pay AVCs. Members participating in this arrangement each receive an annual statement confirming the amount held to their account and the movement in the year. The aggregate value of AVC investments was as follows:

	2024 £'000	2023 £'000
Aegon BlackRock DC funds	**2,244**	2,071

11. Focus Section - Bonus Investments

Bonus contributions are invested separately in the form of individual pension accounts with Aegon securing additional benefits on a money purchase basis for certain members in the Focus section. Members receive an annual statement as at 31 March confirming the amount held to their account and the movement in the year. The aggregate value of the bonus contributions was as follows:

	2024 £'000	2023 £'000
Aegon BlackRock funds	**2,895**	3,067

12. Focus Section - Derivative Assets/Liabilities

The use of derivatives is part of the Trustees investment strategy and they are used mainly to reduce the funding risk of the Scheme's investments failing to meet the long-term liabilities and to reduce the volatility of contributions required to fund these liabilities.

<u>As at 31 March 2024:</u>

Derivative Category	**CTI**		**Ruffer**		**PIMCO**		**Total**	
	Asset £'000	**Liability £'000**	**Asset £'000**	**Liability £'000**	**Asset £'000**	**Liability £'000**	**Asset £'000**	**Liability £'000**
Options	-	-	1,163	-	-	-	1,163	-
Futures	-	(45)	-	-	-	(16)	-	(61)
Swaps	91,445	(169,206)	-	-	-	-	91,445	(169,206)
Foreign exchange	-	(899)	-	(97)	427	(346)	427	(1,342)
2024 Total	**91,445**	**(170,150)**	**1,163**	**(97)**	**427**	**(362)**	**93,035**	**(170,609)**

<u>As at 31 March 2023:</u>

Derivative Category	**CTI**		**Ruffer**		**PIMCO**		**Total**	
	Asset £'000	**Liability £'000**	**Asset £'000**	**Liability £'000**	**Asset £'000**	**Liability £'000**	**Asset £'000**	**Liability £'000**
Options	-	-	1,426	-	-		1,426	-
Futures	-	(258)	-	-	-		-	(258)
Swaps	101,021	(165,683)	-	-	-		101,021	(165,683)
Foreign exchange	2,088	-	55	-	1,095	(48)	3,238	(48)
2023 Total	**103,109**	**(165,941)**	**1,481**	**-**	**1,095**	**(48)**	**105,685**	**(165,989)**

Derivative Contracts as at 31 March 2024

a. Options

Type of option	Underlying investment	Asset £'000	Liability £'000
Ruffer pooled derivative fund	UK/Overseas Fixed Interest	1,163	-
Total options		**1,163**	**-**

Due to the nature of the Ruffer pooled derivative fund the notional amount of outstanding contracts and expiration details for the scheme assets are unavailable.

b. Futures

Underlying investment	Economic exposure (asset) £m	Economic exposure (liability) £m	Asset £'000	Liability £'000
UK fixed interest (expiry less than one year)	-	(22)	-	(61)

The economic exposure represents the notional value of stock purchased or sold under the futures contract and therefore the value is subject to market movements. All futures entered into the Scheme are exchange traded.

c. Swaps

Type of swaps	Nominal principal £m	Asset £'000	Liability £'000
Equity default inflation rate	668	59,098	(30,769)
Interest rate	967	32,347	(138,437)
Total Swaps	**1,635**	**91,445**	**(169,206)**
Expiration			
Up to March 2025	-	-	-
April 2025 to March 2035	1,011	49,677	(71,895)
April 2035 and over	624	41,768	(97,311)

The notional principal of the swap is the amount used to determine the value of swapped interest receipts and payments. All swaps entered into by the Scheme are over the counter derivative instruments.

d. Forward foreign exchange

Contract	Gross amount at inception (asset) £m	Gross amount at inception (liability) £m	Asset £'000	Liability £'000
Europe (EUR)	-	(126)	424	(288)
United Kingdom (GBP)	261	-	-	-
USA (USD)	-	(134)	3	(1,052)
Other Currencies	-	(720)	-	(2)
Total held	**261**	**(980)**	**427**	**(1,342)**
Expiration				
Less than one year	261	(980)	427	(1,342)

Forward foreign exchange contracts entered into by the Scheme are over the counter.

13. Focus Section - Other Investment Assets

	2024 £'000	2023 £'000
Cash deposits and cash equivalents		
Sterling	**99,570**	75,971
Other financial assets		
Outstanding trades*	**27,923**	19,375
Outstanding dividend entitlements and recoverable withholding tax	**9,134**	4,849
	37,057	24,224
Total other investment assets	**136,627**	100,195

* The outstanding trades balance of £27.9m includes CTI repurchase transactions of £27.9m.

14. Focus Section - Other Investment Liabilities

	2024 £'000	2023 £'000
Other financial liabilities		
Outstanding trades*	**(263,831)**	(227,361)
Outstanding bank interest	**(3,687)**	(2,523)
Total other investment liabilities	**(267,518)**	(229,884)

*The outstanding trades balance of £(263.8)m includes CTI repurchase transactions of £(262.7)m

15. Focus Section - Current Assets

	2024 £'000	2023 £'000
Cash balances	**16,365**	16,065
Other funds due	**34**	-
Total current assets	**16,399**	16,065

16. Focus Section - Current Liabilities

	2024 £'000	2023 £'000
Benefits payable	**(1,877)**	(885)
Accrued expenses	**(934)**	(670)
Estimated costs of GMP equalisation	**(1,200)**	(1,200)
Total current liabilities	**(4,011)**	(2,755)

17. Options Section - Investments

Fund	**2024 £'000**	2023 £'000
NIEPS - Growth	**37,036**	29,873
NIEPS - Diversified	**18,725**	14,482
NIEPS - Bond	**1,927**	1,540
NIEPS - Annuity Tracking	**169**	101
NIEPS - Cash	**1,149**	1,058
NIEPS - Islamic Global Equity Fund	**227**	-
Aegon BlackRock diversified growth	**1,823**	1,587
Aegon BlackRock UK equity optimum	**9,185**	6,548
Aegon BlackRock property	**546**	832
Aegon BlackRock over 15 years corporate bond index	**481**	397
Aegon BlackRock World ESG Equity Tracker	**2,795**	831
Aegon BlackRock index-linked gilt	**444**	444
Aegon BlackRock 50:50 global equity index	**8,012**	5,740
Aegon BlackRock emerging markets equity index	**1,741**	2,016
Aegon Standard Life global absolute return strategies	**-**	115
Total	**84,260**	65,564

All funds are managed by investment managers who are registered in the UK.

18. Employer Related Investments

There were no employer related investments at any time during the year within the meaning of article 40(2) of the Pensions (Northern Ireland) Order 1995.

19. Related Party Transactions

The Trustees, except for the Scheme Chairman and I Bailie, were contributing members of the Scheme during the year. The amounts paid were in accordance with the Schedule of Contributions.

One Trustee is in receipt of a pension from the Scheme and this is included in the pensions payable. The pension was calculated in accordance with the Scheme's Trust Deed and Rules.

There are no fees or related administration costs directly paid by the participating employer, except for remuneration to the Scheme Chairman. All Trustees are reimbursed for reasonable travelling and other incidental expenses in respect of attending meetings.

20. GMP Equalisation

As explained on page 26 of the Trustees' report, on 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. This matter is being considered by the Trustees of the Scheme at regular meetings and decisions will be made as to the next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

The Trustees have obtained an estimate of the backdated benefits for the period of £1.2m. This estimate is based on the Trustees' view of the most likely equalisation methodology to be adopted and a top down assessment of the likely impact on members. This has been recognised as an accrual in the Scheme financial statements as at 31 March 2024 (£1.2m as at 31 March 2023).

However, the judgement did not address transfers out. A second judgement was handed down on 20 November 2020 which concluded that top-up payments are required for impacted historic transfer values. Based on an initial assessment the Trustees do not expect these top-up payments to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements.

21. Going concern basis of accounting

The Trustees have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for the period to 4 October 2025. Consequently, the Trustees have concluded that it is appropriate to prepare the financial statements on a going concern basis.

In arriving at their conclusion, the Trustees' have considered the following:

- The Scheme is invested in a well-diversified portfolio of investments including significant liquid assets. The Scheme receives monthly employer contributions as well as ad hoc payments from maturing scheme assets. The investment adviser takes cashflow into account when providing advice on the overall structure of the investment portfolio.

  The investment advisor also provides a regular projection of expected income from the Scheme's assets to highlight any expected shortfall in advance.

  A cashflow forecast is carried out by the administration team on a regular basis to ensure there are sufficient funds in the bank account and where this is not the case a disinvestment is carried out. Advice is obtained from the investment adviser to disinvest assets, based on actual vs strategic asset allocations.

- There has not been nor is there expected to be any application from the Principal and Participating employers for a suspension or reduction in pension contributions, or a concern over its ability to continue to make contributions over the next twelve months, hence the Trustees expect that all future contributions will be paid in accordance with the Schedule of Contributions. Further, there has been no application or indication by the Principal and Participating Employers to wind up the scheme.

- The Trustees monitor the collateral adequacy of the Scheme's LDI portfolio on an ongoing basis and are satisfied that there is currently sufficient eligible collateral to withstand well in excess of the minimum level of yield rises outlined by TPR. In addition, the Trustees hold a liquid portfolio of short duration corporate bonds within the LDI portfolio, which can be used as additional collateral support should it be needed in a rising yield environment. The Trustees are therefore satisfied there is a robust collateral management framework in place to manage liquidity risk, which has been further supported by recent de-risking decisions to reduce the Scheme's absolute return portfolio in favour of more liquid forms of credit assets.

22. Section 37 Confirmations

We are aware of the Court of Appeal ruling in the Virgin Media case, which states that any amendments to section 9(2B) rights are void without a written section 37 (equivalent to section 33 of the Pension Schemes (Northern Ireland) Act 1993) confirmation from the Scheme actuary. This ruling encompasses both past and future service rights. In consultation with our legal advisors, and based on (a) an initial review of the deeds of amendment executed during the period, and (b) the context of the Protected Persons legislation applicable to members of the Focus Section of the Scheme, we have resolved that no immediate action is required by the Trustees at this stage. We have no reason to believe that from 6 April 1997 until the abolition of contracting out in 2016, the Scheme was not operating in compliance with the requirements to provide benefits meeting the statutory standard of section 9(2B) rights as per the Pension Schemes (Northern Ireland) Act 1993. On that basis, there has been no provision or contingent liability note included in the annual report and financial statements. We understand the significance of these legal matters and commit to closely monitoring future developments.

23. Subsequent Events

There are no events to report post year end.

APPENDIX 1

Schedule of Contributions

NORTHERN IRELAND ELECTRICITY PENSION SCHEME
(The Scheme)

Schedule of Contributions
Actuarial valuation as at 31 March 2022

Status

This schedule of contributions has been prepared by the Trustees of the Scheme for the purpose of Article 206 of the Pensions (Northern Ireland) Order 2005, after obtaining the advice of Lynda Whitney of Aon Solutions UK Limited, the Actuary to the Scheme.

It has been agreed with the Scheme's Principal Employer, Northern Ireland Electricity Networks Limited ("NIE Networks").

This schedule replaces the previous schedule certified by the Actuary to the Scheme on 14 June 2021 and comes into effect on the date of its certification by the Actuary. It covers the period for 5 years after the date of certification of this schedule, and notwithstanding the paragraph below, is subject to review following the next actuarial valuation. The Scheme's trustees are responsible for preparing a revised schedule no later than 30 June 2026.

Contributions to be paid towards the Scheme

By or on behalf of active members:

Focus Section	In accordance with the Scheme provisions, typically 6% of Pensionable Salary
Options Section	Typically up to 8% of Pensionable Salary at a rate as chosen by the member from time to time, subject to a minimum rate of 4.5% of Pensionable Salary

Under the provisions of SMART Pension, the majority of members do not pay contributions to the Scheme. Instead the participating employers pay additional contributions equal to the contributions those members would otherwise have paid.

Participating employers will ensure that the Trustees receive the contributions payable by active members, or on behalf of members by the employers under SMART Pension, within 19 days of the end of the calendar month in which the contributions are deducted from their salaries.

By the Principal Employer and other participating employers:

Normal Contributions:

In respect of future accrual of benefits, the provision of ill health pensions, death-in-service benefits and the expenses of administering the Scheme, participating employers will pay the following:

Focus Section	From 1 April 2022 to 31 March 2023: 43.0% of Pensionable Salaries, plus additional amounts of £87,500 each month to cover the costs of meeting Scheme expenses From 1 April 2023: 52.1% of Pensionable Salaries, plus additional amounts of £100,000 each month to cover the costs of meeting Scheme expenses
Options Section	Contributions matching the members' normal contributions (as described above) plus 6.4% of Pensionable Salaries from 1 April 2022 to 31 March 2023 and 6.6% of Pensionable Salaries from 1 April 2023 to cover the cost of death in service insurance, ill-health benefits and Options expenses. Further contributions are payable upon members reaching certain service criteria as set out in the Scheme's Rules

Additional contributions will be paid by the Principal Employer and other participating employers to meet the Pension Protection Fund levy and other levies collected by the Pensions Regulator.

Deficit repair contributions:

In respect of the shortfall in funding in accordance with the recovery plan dated 8 February 2023, NIE Networks and the other employers continuing to participate in the Scheme; £20.025M per annum in equal monthly instalments from 1 April 2022 to 30 September 2023, increased on 1 April 2023 by the increase in the Retail Prices Index between 1 September 2021 to 31 August 2022. The total payments applicable for each yearly period from 1 April will be rounded up to the next £1,000.

Other Contributions:

Participating employers will pay such additional amounts as determined on the advice of the Actuary in relation to unreduced early retirement pensions and benefit augmentations.

Participating employers may pay such additional contributions as are advised in writing by the Principal Employer to the Trustees.

Due Dates:

Unless otherwise stated above, the Principal Employer will ensure that the Trustees receive normal and deficit repair contributions within 19 days of the end of the calendar month to which the contributions relate.

Participating employers will ensure that the Trustees receive other contributions within two calendar months of the end of the month during which the augmentation or early retirement is effected. Where such a cost cannot be assessed immediately, it will be met by a lump sum payment within the same time frame as above as estimated by the Principal Employer, on the advice of the Actuary. In the event of such estimated sum exceeding the cost subsequently assessed then normal contributions or other contributions shall be reduced by such excess. In the event of such estimated sum being less than the cost subsequently assessed then the difference will be paid as a lump sum during the month following the accurate calculation of the cost.

Example: member of a wholly owned subsidiary leaves in mid-June with unreduced early retirement benefits – deficiency cost contributions to be paid by 31 August (two calendar months from the end of June). If an estimate only is paid and there is a balance that is finally calculated in October, the balance must be paid by the end of November.

Pensionable Salary:

Basic salary plus standby payments and additional allowances, before any reduction for SMART Pension.

Form of actuary's certification of schedule of contributions

Name of scheme: Northern Ireland Electricity Pension Scheme

Adequacy of rates of contributions

1. I hereby certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2022 to be met by the end of the period specified in the recovery plan dated 8 February 2023.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 8 February 2023.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the liabilities of the Focus section of the Scheme by the purchase of annuities, if it were wound up.

Signature: Lynda Whitney	Date: 8 February 2023
Name: Lynda Whitney	Qualification: FIA
Address: Parkside House Ashley Road Epsom Surrey KT18 5BS	Name of employer: Aon Solutions UK Limited

APPENDIX 2

Statement of Investment Principles

Statement of Investment Principles

Effective from: August 2024

1. Introduction

This Statement of Investment Principles ("SIP") has been produced by the Trustees of the Northern Ireland Electricity Pension Scheme on various matters governing investment decisions for the Scheme.

The Scheme has a Defined Benefit ("DB") section (the "Focus Section") and a Defined Contribution ("DC") section (the "Options Section").

This SIP replaces the previous SIP dated July 2023.

For the purposes of this SIP, references to we, us and our relate to the Trustees.

This SIP has been prepared after obtaining and considering written advice from LCP, our investment adviser, whom we believe to be suitably qualified and experienced to provide such advice. The advice considered the suitability of investments including the need for diversification given the circumstances of the Scheme and the principles contained in this SIP.

We have consulted with the relevant employer in producing this SIP.

We will review this SIP from time to time and will amend it as appropriate. Reviews will take place without delay after any significant change in investment policy or in the demographic profile of the members invested in the Options Section default investment option and at least once every three years.

This SIP contains the information required by legislation, including Article 35 (as amended) of the Pensions (Northern Ireland) Order 1995 ("the Order"), the Occupational Pension Schemes (Investment) Regulations (Northern Ireland) 2005 (as amended), the Occupational Pension Schemes (Charges and Governance) Regulations (Northern Ireland) 2015, and also considers the Pension Regulator's guidance on investments.

2. Investment objectives for the Focus and Options Sections

The primary objective for the **Focus Section** is to ensure that the benefit payments are met as they fall due. In addition to this primary objective, we have the following objectives:

- the funding position (ie the value of assets relative to the assessed value of liabilities on a Technical Provisions basis) should remain at an appropriate level. We are aware that there are various measures of funding and have given due weight to those considered most relevant to the Scheme. We have taken into account the funding requirements detailed in the Occupational Pension Schemes (Scheme Funding) Regulations (Northern Ireland) 2005; and
- target full funding on a more prudent measure of liabilities over an agreed period of time, with the intention of reducing investment risk as the return required to reach this objective falls.

Our objectives for the **Options Section** are to provide members with access to:

- an appropriate range of investment options, reflecting the membership profile of the Options Section and the variety of ways that members can draw their benefits in retirement; and
- a default investment option that we believe to be reasonable for those members that do not wish to make their own investment decisions. The objective of the default option is to generate returns above cash whilst members are far from retirement, and to switch automatically and gradually to lower risk investments as members become relatively close to retirement, with the asset allocation at retirement being designed to be appropriate for members taking income drawdown.

All policies relating to the **Options Section** are covered in this SIP, rather than in a separate SIP, so all policies on the Scheme's investments are in one document.

Our investment objective for the AVCs is to make available a suitable range of investment options to meet members' risk / return objectives.

3. Investment strategy

With input from our advisers and in consultation with the employer, we last reviewed the investment strategy for the Focus Section in January 2023, considering the objectives described in Section 2.

The investment strategy for the **Focus Section** is shown in the following table.

Asset class	Strategic allocation
Equities	10%
Absolute return	5%
Private assets	20%
Buy & maintain corporate bonds	25%
Liability driven investment ("LDI")	40%
Total	**100%**

We monitor the asset allocation from time to time. If material deviations from the strategic allocation occur, we consider with our advisers whether it is appropriate to rebalance the assets.

As the Scheme's funding position improves, we expect to de-risk the investment strategy to reflect the lower investment return required to achieve our long-term objectives.

For the **Options Section**, we make available a range of investment funds for members with different levels of expected return, including equity and bond-based funds as well as a cash fund. Each member is responsible for specifying one or more funds for the investment of their account.

If a member does not choose an investment option, their account will be invested into the default option, the "Drawdown Lifestyle Strategy" which is managed as a lifestyle strategy (ie it automatically combines investments in proportions that vary according to the time to retirement age). The default option initially invests to target a relatively high expected return (making use of equity based funds) and then gradually switches to investments with a lower expected return (such as a cash fund) as members get close to retirement.

The default option was designed to be in the best interests of the majority of the members based on analysis of the demographics of the membership. The default option targets drawdown at retirement, since based on analysis of the membership we believe that most members will wish to take their benefits in this form.

We monitor member behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.

In the event of any suspension of investment funds (and subsequent re-direction of contributions into replacement funds), we expect our provider to inform us of fund closures as soon as possible, and we will then exercise our discretion to determine an appropriate course of action for any re-directed contributions, subject to overall investment objectives.

4. Considerations in setting the investment arrangements

When deciding how to invest the Scheme's assets, it is our policy to consider a range of asset classes, taking account of the expected returns and risks associated with those asset classes, as well as our beliefs about investment markets and which factors are most likely to impact investment outcomes.

The primary ways that we manage investment risk are via diversification, ensuring we receive professional written advice prior to making any material investment decision, and our ongoing monitoring and oversight of the investments.

For the **Focus Section** investment risk is measured using "Value at Risk". For the **Options Section** investment risk is measured as standard deviation of investment returns.

In setting the strategy for the **Focus Section** it is our policy to consider:

- our investment objectives, including the target return required to meet these;
- the circumstances of the Scheme, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant;
- the best interests of members and beneficiaries;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken; and
- the need for appropriate diversification between different asset classes to ensure that both the Scheme's overall level of investment risk and the balance of individual asset risks are appropriate.

In determining the investment arrangements for the **Options Section including the default option** it is our policy to consider:

- the overall best interests of members and beneficiaries;
- the profile of the membership and what this is likely to mean for the choices members might make upon reaching retirement;
- the risks, rewards and suitability of a number of possible asset classes and lifestyle strategies and whether the return expected is considered sufficient given the risk being taken;
- the need for appropriate diversification to manage investment risk within the default option, and ensure that both the overall level of investment risk and the balance of individual asset risks are appropriate; and
- the need for appropriate diversification between and, where appropriate, within the investment options offered to members.

We also consider any other factors which we believe to be financially material over the applicable time horizons to the funding of the Focus and Options Sections, including environmental, social and governance ("ESG") factors and the risks and opportunities relating to climate change.

Our policy regarding investments in illiquid assets in the DC default arrangement, is set out below. Illiquid assets means assets that can't be easily or quickly be sold or exchanged for cash, and where assets are invested as a component of daily-dealing multi-asset funds. The Scheme's default arrangement includes no direct allocations to illiquid investments.

The default arrangement does have indirect exposure to illiquid assets via an allocation to diversified growth funds ("DGFs") via pooled funds (a type of collective investment scheme).

Currently, the Scheme holds the LGIM Diversified Fund (used within the NIEPS Growth Fund and NIEPS Diversified Fund) and the BlackRock Dynamic Diversified Growth Fund (used within the NIEPS Diversified Fund). As at 31 March 2024, the exposure to illiquid assets was as follows:

- LGIM Diversified Fund 4.7% to direct property.
- BlackRock Dynamic Diversified Growth Fund 10.3% to private debt and direct infrastructure.

Members have exposure to the DGFs in the default from the growth phase to retirement and so members have exposure to illiquid assets for their whole retirement journey.

Our policy is to have exposure to DGFs with discretion to invest in illiquid assets within the default because our assessment is that, when compared to many other asset classes, illiquid assets offer members a potentially greater level of diversification and hence better risk management in the overall asset allocation. We also believe that long-term net risk-adjusted investment returns of the default may be improved by investing in illiquid assets.

Illiquid assets in DC pension schemes is a relatively new and developing area. Because of this we wish to see the further performance track record of illiquid funds available to DC schemes before we invest member assets in them. Therefore, at this time it is our policy not to invest the DC default in illiquid assets beyond our investment via DGFs. However, with the support of our investment advisers, we intend to consider investment in illiquid assets as part of our regular reviews of the default arrangements.

Our key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- strategic asset allocation is the primary driver of long-term returns;
- costs may have a significant impact on long-term performance and therefore obtaining value for money from the investments is important;
- investment markets are not always efficient and there may be opportunities for good active managers to add value (eg in the absolute return, private market and UK equity mandates);
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit, and illiquidity are the primary rewarded risks;
- risks that do not have an expected reward should generally be avoided, hedged, or diversified;
- ESG factors are likely to be one area of market inefficiency and managers may be able to improve risk-adjusted returns by taking account of these factors and we should therefore consider these when making investment decisions;
- climate change is a financially material systemic issue that presents risks and opportunities for the Scheme over the short, medium and long term; and
- voting and engagement are important and can create long term value which is in the best interest of Scheme members and therefore we encourage managers to improve their voting and engagement practices.

5. Implementation of the investment arrangements

Before investing in any manner, we obtain and consider proper written advice from our investment adviser as to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

We have signed agreements with the investment managers, and a platform provider in respect of the Options Section setting out the terms on which the portfolios are to be managed. The Options Section platform provider makes available the range of investment options to members. There is no direct relationship between the Scheme and the underlying managers of the investment funds.

We have limited influence over managers' investment practices because the majority of the Scheme's assets are held in pooled funds, but we encourage our managers to improve their practices within the parameters of the fund they are managing.

Our view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high-quality service that meets the stated objectives, guidelines, and restrictions of their mandate. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their investors in relation to strategy, long-term performance of debt/equity issuers, engagement, and portfolio turnover.

It is our responsibility to ensure that the managers' investment approaches are consistent with our policies before any new appointment, and to monitor and to consider terminating any arrangements that appear to be investing contrary to those policies. We expect investment managers to make decisions based on assessments of the longer-term performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). We assess this when selecting and monitoring managers.

We evaluate investment manager performance over both shorter- and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. If a manager is not meeting its performance objectives, we will consider alternative arrangements.

Our policy is to evaluate each of our investment managers by considering performance, the role it plays in helping to meet our overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

We recognise that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of these costs is reflected in performance figures used in our assessment of the investment managers, we do not explicitly monitor portfolio turnover. We expect our investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

6. Realisation of investments

For the **Focus Section**, we instruct disinvestments as required for benefit payments and other outgoings. Our preference is for investments that are readily realisable but recognise that achieving a well-diversified portfolio may mean holding some investments that are less liquid. In general, our policy is to use income from the private market portfolio to help meet benefit payments, with net cash flow requirements used to rebalance the assets towards the strategic asset allocation.

For the **Options Section** including the default option, our policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.

7. Financially material considerations and non-financial matters

We consider how ESG considerations (including but not limited to climate change) should be addressed in the selection, retention, and realisation of investments, given the time horizon of the Scheme and its members.

We influence the Scheme's approach to ESG and other financially material factors through our investment strategy and manager selection decisions. We expect all of our investment managers to take account of financially material factors (including climate change and other ESG factors) within the parameters of the mandates they are set. We seek to appoint managers that have the skills and processes to do this, and periodically review how the managers are taking account of these issues in practice.

We have limited influence over managers' investment practices where assets are held in pooled funds, but we encourage our managers to improve their ESG practices within the parameters of their funds.

We do not consider any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention, and realisation of investments for the Focus Section.

Within the Options Section we recognise that some members may wish for ESG and religious factors to be more explicitly reflected in their investments and therefore have made available the Aegon BlackRock World ESG Equity Tracker Fund and the NIEPS - Islamic Global Equity Fund as investment options to members in the self-select fund range.

8. Voting and engagement

We recognise our responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.

We have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG factors.

We monitor managers' activities in relation to ESG factors, voting and engagement on a regular basis. We seek to understand how they are implementing their stewardship policies in practice to check that their stewardship is effective and aligned with our expectations.

We have selected some priority ESG themes to provide a focus for our monitoring of investment managers' voting and engagement activities. We review the themes regularly and update them if appropriate. We communicate these stewardship priorities to our managers each year and also confirm our more general expectations in relation to ESG factors, voting and engagement.

If our monitoring identifies areas of concern, we will engage with the relevant manager to encourage improvements. We will set objectives and target dates for each formal engagement, review progress, and have an escalation process which we will follow if progress is unsatisfactory.

We seek to appoint managers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time we review how these are implemented in practice.

9. Self–investment

Our policy is that the Scheme's assets will not be directly invested in any "employer-related investments" including any shares or other securities issued by the employer or by any person who is connected with, or an associate of, the employer.

Where the Scheme's assets are invested in pooled investment vehicles, which may hold employer-related investments as part of their investment strategy, we require the investment managers of such pooled vehicles to notify us promptly of any investment by such pooled vehicles in employer-related investments. This is so that we can ensure that employer-related investments (including those held through such pooled vehicles and attributable to the Scheme) do not in aggregate exceed the statutory limit of 5% of the Scheme's assets. We will provide details of the group structure to the investment managers and will update the investment managers of any changes which may be made to this structure.

Where the manager of a pooled vehicle is unable to provide such notification due to the nature of the pooled vehicle (eg fund of funds) or other considerations, we (with the help of our advisers) will make necessary assumptions and calculations to ensure that their investment in such pooled vehicles does not cause the overall exposure to employer-related investments to exceed the statutory 5% threshold.

APPENDIX 3

Implementation Statement

Implementation Statement, covering the Scheme Year from 1 April 2023 to 31 March 2024

The Trustees of the Northern Ireland Electricity Pension Scheme (the "Scheme") are required to produce a yearly Implementation Statement (the "Statement") to set out how, and the extent to which, the Trustees have followed their Statement of Investment Principles ("SIP") during the period from 1 April 2023 to 31 March 2024 (the "Scheme Year"), as well as details of any review of the SIP during the Scheme Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-10 below.

In preparing the Statement, the Trustees have had regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 10 below.

This Statement reflects the policies which were in place over the Scheme Year. In particular:

- in the SIP dated May 2022 for the period between April 2023 and June 2023; and
- in the SIP dated July 2023 for the period between July 2023 and March 2024.

This Statement uses the same headings as the Scheme's current SIP dated July 2023, which was updated during the Scheme Year, and should be read in conjunction with this SIP. Details of the changes made in each version of the SIP are included below.

This statement incorporates the Defined Benefit ("DB") section (the "Focus Section") and the Defined Contribution ("DC") section (the "Options Section") of the Scheme.

1. Introduction

The SIP was reviewed and updated during the Scheme Year (in July 2023) to reflect the following:

- agreed changes to the Focus Section's strategic asset allocation; and
- DWP's new guidance on "Reporting on Stewardship and Other Topics", which expects trustees to take a more active role in relation to monitoring and engaging with investment managers on stewardship.

As part of the SIP updates, the employer was consulted and confirmed it was comfortable with the changes.

The Trustees have, in their opinion, followed the policies in the Scheme's SIP during the Scheme Year. The Trustees, along with their investment adviser, will review the SIP periodically and following any significant changes to the investment arrangements. The following Sections provide detail and commentary about how and the extent to which they did this.

2. Investment objectives

Focus Section

Progress against the long-term journey plan is reviewed on a regular basis and formally each quarter as part of performance and funding monitoring reports. As at 31 March 2024, the Scheme's funding position was at an appropriate level and the Scheme was on track to achieve full funding by the Scheme's target dates on various funding measures.

Options Section

The Trustees began their triennial performance and strategy review of the DC default arrangement in February 2023, and this was concluded during the Scheme Year in June 2023. The Trustees considered the Options Section membership demographics and the variety of ways that members may draw their benefits in retirement from the Scheme.

The default strategy was reviewed to ensure that investment returns (after deduction of any charges) have been consistent with the aims and objectives of the default as stated in the SIP, and to check that it remained suitable and appropriate given the Scheme's risk profile, membership, and the variety of ways that members may draw their benefits in retirement from the Scheme.

Based on the outcome of this analysis, the Trustees concluded that the default had been designed to be in the best interests of the majority of the Scheme's members (targeting drawdown) and reflects the demographics of those members. However, the Trustees noted that some enhancements could be made to improve the risk and return profile of the default as part of further analysis which was completed during the Scheme Year in June 2023. Further detail on this is set-out in Section 3 below.

The Trustees also provide members with access to a range of investment options which they believe are suitable for this purpose and enable appropriate diversification. The Trustees have made available alternative lifestyle strategies and a self-select fund range to members covering all major assets.

3. Investment strategy

Focus Section

The Trustees monitor the asset allocation quarterly and compare this to the strategic asset allocation. This includes identifying and mitigating key investment risks.

The Trustees, with the help of their advisers and in consultation with the sponsoring employer, reviewed the investment strategy in August 2023 and agreed to reduce the equity allocation by 5% and to increase the corporate bond allocation by 5%, which was successfully implemented in November 2023. This was in response to an improvement in the Scheme's funding position.

As part of this review, the Trustees ensured that the Scheme's assets were adequately and appropriately diversified between different asset classes.

Options Section

As mentioned above, the Trustees, with the help of their advisers, reviewed the strategy and performance of the default arrangement in February 2023 and June 2023. In this review, the Trustees concluded that drawdown remains an appropriate retirement target. The Trustees review included analysis of the building block funds used within the default and alternative lifestyles including performance analysis and the investment adviser's view of the underlying funds.

Following the review, the Trustees agreed to the following changes within the NIEPS – Growth Fund:

- increase the equity allocation from 50% to 75%;
- introduce an explicit allocation to emerging market equities approximately in line with global market capitalisation weights; and
- remove the allocation to the BlackRock Dynamic Diversified Growth Fund in order to fund the increased allocation to equities.

Implementation of the above took place in October 2023. The Trustees also decided to diversify the diversified growth fund allocation within the NIEPS – Diversified Fund to include an underlying manager with a greater focus on capital preservation. The Trustees are continuing to work on the implementation of this change.

As part of this review the Trustees made sure the Scheme's default arrangement was adequately and appropriately diversified between different asset classes and that the self-select options provide a suitably diversified range to choose from. The Trustees decided to close the Aegon Standard Life Global Absolute Returns Fund to new contributions as more appropriate diversified growth fund options were available in the self-select fund range. This was implemented in July 2023. Subsequently, the Aegon Standard Life Global Absolute Returns Fund was closed altogether in November 2023 due to closure of the fund by the investment manager. The Trustees also made available a Shariah-compliant investment option during the Scheme Year in August 2023.

The Trustees review retirement data provided in the administration reports on a regular basis to see how members access their benefits.

4. Considerations in setting the investment arrangements

Focus Section

When the Trustees reviewed the Focus Section investment strategy in August 2023 they considered a wide range of asset classes for investment, taking account of the expected returns and risks (including environmental, social and governance, "ESG") associated with those asset classes as well as how these risks can be mitigated. The Trustees also considered the need for diversification and the specific circumstances of the Scheme (eg the investment objectives, funding position, level of contributions and strength of the sponsor covenant).

Options Section

As part of the review of the performance and strategy of the default arrangement in February and June 2023, the Trustees considered a wide range of asset classes for investment, taking account of the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

Both Sections

The Trustees review their investment beliefs from time to time.

The Trustees reviewed their investment beliefs during the Scheme Year and added two new investment beliefs to the SIP, namely:

- "climate change is a financially material systemic issue that presents risks and opportunities for the Scheme over the short, medium and long term"; and
- "voting and engagement are important and can create long term value which is in the best interest of Scheme members and therefore we encourage managers to improve their voting and engagement practices".

The Trustees invest for the long term, to provide for the Scheme's members and beneficiaries. To help achieve good outcomes for members and beneficiaries, the Trustees seek to appoint managers whose stewardship activities are aligned to the creation of long-term value and the management of long-run systemic risks.

The Scheme's investment adviser monitors the investment managers on an ongoing basis and informs the Trustees promptly about any significant updates or events that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the mandates the Scheme invests in.

The Trustees monitor the performance of the Scheme's investment managers on a quarterly basis, using a monitoring report prepared by their investment adviser. The report shows the performance of each fund over the quarter, one year and three years. Performance is considered in the context of the manager's benchmark and objectives.

4.1 Policy towards risk

Both Sections

Risks are monitored on an ongoing basis with the help of the Trustees' investment adviser. The Trustees maintain a risk register, and this is reviewed annually.

The Trustees' policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Scheme's investment adviser or information provided to the Trustees by the Scheme's investment managers. These include the risk of inadequate returns, credit risk, equity risk, currency risk, collateral adequacy risk and ESG (including climate) risks.

The following risks are covered elsewhere in this Statement: diversification risk in Sections 3 and 5, investment manager risk and excessive charges in Section 5, illiquidity/marketability risk in Section 6 and ESG risks in Section 7.

The latest quarterly report during the Scheme Year (covering periods to 31 March 2024) showed that all managers have produced performance broadly in line with expectations over the long-term.

Focus Section

With regard to the risk of inadequate returns, credit risk, equity risk and currency risk, as part of the investment strategy review in August 2023, the Scheme was assessed to be broadly fully funded on a Technical Provisions basis. The best estimate future return on the Scheme's strategic asset allocation was expected to be sufficient to produce the return needed over the long-term to remain fully funded. The Trustees maintain a well-diversified portfolio of assets to reduce the risk of overall asset returns being lower than expected over the long-term.

With regard to collateral adequacy risk, the Trustees held sufficient collateral support within the LDI portfolio through their investments in cash, government bonds and short duration credit. The Scheme also has significant liquidity through the investments in equity and absolute return portfolios.

Together, investment and non-investment risks give rise generally to funding risk. The Trustees formally review the Scheme's funding position as part of their annual actuarial report to allow for changes in market conditions. On a triennial basis the Trustees review the Scheme's funding position allowing for membership and other experience. The Trustees also informally monitor the funding position more regularly, using LCP Visualise.

Options Section

With regard to the risk of inadequate returns, the Trustees make use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are used in the growth phase of the default strategy and are also made available within the self-select options. These funds are expected to produce adequate real returns over the longer term.

5. Implementation of the investment arrangements

Focus Section

The Trustees have not made any changes to their manager arrangements over the Scheme Year.

The Trustees evaluate manager performance over both shorter and longer periods, encourage managers to improve practices and consider alternative arrangements where managers are not meeting performance objectives.

The Trustees invite the Scheme's investment managers to present at meetings from time to time. Overall, the Trustees believe the investment managers provide reasonable value for money.

Options Section

The Trustees have a contract with a platform provider, Aegon, who makes available the range of investment options to members. Aegon undertakes the administration, provision of the range of investment funds and much of the member communications in the Options Section. As all the funds are accessed via an agreement with the Scheme's platform provider, there is no direct legal relationship between the Scheme and the underlying investment managers of the Options Section investment funds. Nevertheless, the Trustees are responsible for appointing and providing governance oversight of the managers which the Scheme accesses via the Aegon arrangement.

During the Scheme Year the Trustees chose the HSBC Islamic Global Equity Index Fund as the underlying fund NIEPS – Islamic Global Equity Fund. Before choosing this fund the Trustees received information on its investment process and philosophy, the investment team, past performance and the underlying investments to ensure the fund is adequately and appropriately diversified. The approach to responsible investment and stewardship in the fund, including the Trustee's stewardship priorities, was also considered. The Trustee obtained formal written advice from its investment adviser, LCP, before investing in the fund. The Trustees rely on its investment adviser's research to understand managers' investment approaches, and ensure they are consistent with the Trustees' policies prior to any new appointment.

During the Scheme Year the Trustees undertook a value for members assessment which assessed a range of factors, including the fees payable to managers in respect of the Options Section, which were found to be reasonable when compared against schemes with similar sized mandates.

6. Realisation of investments

Focus Section

The Trustees review the Scheme's net current and future cashflow requirements on a regular basis. The Trustees' policy is to have access to sufficient liquid assets to meet any outflows whilst maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets.

Over the Scheme Year, the Trustees used cashflow requirements to help rebalance the Scheme's assets towards the strategic asset allocation. The Trustees also re-invested some of the proceeds from the Blackstone Strategic

Opportunities Fund in the LDI and short duration credit portfolios to ensure sufficient collateral was available to maintain the Scheme's liability hedging objectives.

The Trustees receive income from the Scheme's illiquid credit mandates, which is typically retained in the Trustees' bank account and used towards paying member benefits, when required. When this results in a bank account surplus, the income is invested in one of the Scheme's mandates.

Options Section

It is the Trustees' policy to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All of the Options Section funds which the Trustees offer are daily priced.

7. Financially material considerations and non-financial matters

Both Sections

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations).

During the Scheme Year, the Trustees reviewed the ability of the Focus Section and Options Section default arrangement investment managers to incorporate climate-related factors into their investment processes. This was in accordance with recommendations set by the Task Force on Climate-Related Financial Disclosures (TCFD).

Focus Section

The Trustees did not consider any non-financial matters (eg ethical and other views of members) in the selection, retention, and realisation of investments over the Scheme Year, in line with their policy detailed within the SIP. No specific actions have been taken in relation to the selection, retention, and realisation of managers as a result of member and beneficiary views.

Options Section

Within the Options Section, the Trustees recognise that some members may wish for their ethical or religious beliefs to be considered in their investments and therefore the NIEPS - Islamic Global Equity Fund and the BlackRock World ESG Equity Tracker Funds are available as self-select investment option to members.

8. Voting and engagement

Both Sections

The Trustees have, in their opinion, followed the Scheme's voting and engagement policies during the Scheme year, by continuing to delegate to their investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes.

However, the Trustees take ownership of the Scheme's stewardship by monitoring and engaging with managers and escalating as necessary as detailed below.

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

Following the introduction of DWP's guidance, the Trustees agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. In December 2022, the Trustees discussed and agreed stewardship priorities for the Scheme which were:

- Climate change;
- Diversity, equity and inclusion; and
- Business Ethics.

The Trustees have since communicated these priorities to their investment managers.

The Trustees are conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expect most managers will have areas where they could improve. Therefore, the Trustees aim to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

The UK Stewardship Code is a voluntary code for asset managers, asset owners, and service providers (such as proxy advisers, investment consultants, and data providers). Its stated aim is to encourage active and engaged monitoring of corporate governance in the interests of beneficiaries. All of the Focus Section's fund managers were signatories to the UK Stewardship Code as at the Scheme Year end, with the exception of Beach Point Capital, BGO and Blackstone. All of the Option Section's fund managers were signatories to the UK Stewardship Code at the Scheme Year end.

9. Self-investment

The Trustees have, in their opinion, implemented the Scheme's policies around self-investment over the Scheme Year and continued to delegate responsibility of notification of an investment in any employer-related investments (as defined in the Pensions (Northern Ireland) Order 1995 ("the Order") and the Occupational Pension Schemes (Investment) Regulations (Northern Ireland) 2005 (as amended) ("the Regulations")) in pooled-investment vehicles to the investment managers.

10. Description of voting behaviour during the Scheme Year

The Trustees' holdings in listed equities with BlackRock, L&G, Baillie Gifford and Blackstone are held in pooled funds and the Trustees have delegated to their investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how these votes are exercised.

The Trustees hold segregated accounts with Schroders and Ruffer. The Trustees have also delegated the exercise of voting rights to these managers and the Trustees themselves have not used proxy voting services over the Scheme Year. However, the Trustees monitor managers' voting and engagement behaviour on an annual basis and challenge managers where their activity has not been in line with the Trustees' expectations.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP's guidance, on the Scheme's mandates that hold equities as follows:

Focus Section

- Schroders segregated active UK equity mandate;
- L&G World (ex UK) Equity Index Fund (GBP Hedged);
- Baillie Gifford Diversified Growth Fund;
- Blackstone Strategic Opportunities Offshore Fund; and
- Ruffer segregated diversified growth mandate.

Options Section

For the Options Section the Trustees have included the funds that hold equities which are used in the default strategy given the high proportion of total Options Section assets invested in these funds. In addition, the Trustees have also included the self-select fund, BlackRock World ESG Equity Tracker Fund, which incorporates responsible investment factors, recognising that members choosing to invest in this fund may be interested in this information.

- BlackRock Dynamic Diversified Growth Fund
- BlackRock MSCI World Index Fund
- BlackRock World ESG Equity Tracker Fund
- BlackRock Emerging Markets Equity Index Fund
- L&G Diversified Fund

Both Sections

In addition to the above, the Trustees contacted the Scheme's other asset managers that do not hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the period. None of the other mandates that the Scheme invested in over the Scheme Year held any assets with voting opportunities.

10.1 Description of the voting processes

The Trustees do not have their own voting policy and instead rely on the voting policies which their managers have in place. In preparing this Statement the Trustees reviewed the votes which their managers deemed significant and in doing so they assessed the extent to which the outcomes of their managers policies were consistent with their beliefs and stewardship priorities. Where votes have been identified as being inconsistent with their policies and agreed stewardship priorities, the Trustees will engage with managers over the coming year.

Schroders

Schroders provided the following wording to describe its voting practices:

"The corporate governance analysts input votes based on their proprietary research in line with Schroders' house voting policy and do not take voting instruction from our clients. We report transparently on our voting decisions with rationales on our website.

As active owners, we recognise our responsibility to make considered use of voting rights. We therefore vote on all resolutions at all AGMs/EGMs globally unless we are restricted from doing so (e.g. as a result of share blocking).

We aim to take a consistent approach to voting globally, subject to regulatory restrictions that is in line with our Proxy Voting Policy.

The overriding principle governing our voting is to act in the best interests of our clients. Where proposals are not consistent with the interests of shareholders and our clients, we will vote against resolutions. We may abstain where mitigating circumstances apply, for example where a company has taken steps to address shareholder issues.

We evaluate voting resolutions arising at our investee companies and, where we have the authority to do so, vote on them in line with our fiduciary responsibilities in what we deem to be the interests of our clients. Our Corporate Governance specialists assess each proposal, and consider a range of factors, including the circumstances of each company, long-term performance, governance, strategy and the local corporate governance code. In applying the policy, we consider a range of factors, including the circumstances of each company, long-term performance, governance, strategy and the local corporate governance code. Our specialists will draw on external research, such as that provided by Glass Lewis, the Investment Association's Institutional Voting Information Services and public reporting. Our own research is also integral to our process; this will be conducted by both our financial and Sustainable Investment analysts. For contentious issues, our Corporate Governance specialists consult with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

We also engage with companies throughout the year via regular face-to-face meetings, written correspondence, emails, phone calls and discussions with company advisors and stakeholders.

Glass Lewis (GL) act as our one service provider for the processing of all proxy votes in all markets. GL delivers vote processing through its Internet-based platform Proxy Exchange. Schroders receives recommendations from GL in line with our own bespoke guidelines, in addition, we receive GL's Benchmark research. This is complemented with analysis by our in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers.

GL automatically votes all our holdings of which we own less than 0.5% (voting rights) excluding merger, acquisition and shareholder resolutions. This ensures consistency in our voting decisions as well as creating a more formalised approach to our voting process.

We believe that all resolutions when we vote against the board's recommendations should be classified as a significant vote, for example, votes against the re-election of directors, on executive remuneration, on material changes to the business (such as capital structure or M&A), on climate matters and on other environmental or social issues may all be more or less significant to different client stakeholders."

L&G

L&G provided the following wording to describe its voting practices:

"L&G's voting and engagement activities are driven our ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. The voting policies are reviewed annually and take into account feedback from our clients.

Every year, we hold a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment

Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

All decisions are made by our Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

Our Investment Stewardship team uses Institutional Shareholder Services' ("ISS") 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by us and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services ("IVIS") to supplement the research reports that it receives from ISS for UK companies when making specific voting decisions.

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider to be minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, we want to ensure we continue to help our clients in fulfilling their reporting obligations. We also believe public transparency of our voting activity is critical for our clients and interested parties to hold us to account.

For many years, we have regularly produced case studies and/ or summaries of our vote positions to clients for what we deemed were 'material votes'. We are evolving our approach in line with the new regulation and are committed to providing our clients access to 'significant vote' information.

It is vital that the proxy voting service are regularly monitored and we do this through quarterly due diligence meetings with ISS. Representatives from a range of departments attend these meetings, including the client relationship manager, research manager and custom voting manager. The meetings have a standing agenda, which includes setting out our expectations, an analysis of any issues we have experienced when voting during the previous quarter, the quality of the ISS research delivered, general service level, personnel changes, the management of any potential conflicts of interest and a review of the effectiveness of the monitoring process and voting statistics. The meetings will also review any action points arising from the previous quarterly meeting.

We have our own internal Risk Management System (RMS) to provide effective oversight of key processes. This includes our voting activities and related client reporting. If an item is not confirmed as completed on RMS, the issue is escalated to line managers and senior directors within the organisation. On a weekly basis, senior members of the Investment Stewardship team confirm on our internal RMS that votes have been cast correctly on the voting platform and record any issues experienced. This is then reviewed by the Director of Investment Stewardship who confirms the votes have been cast correctly on a monthly basis. Annually, as part of our formal RMS processes the Director of Investment Stewardship confirms that a formal review of our proxy provider has been conducted and that it has the capacity and competency to analyse proxy issues and make impartial recommendations.

We provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications. The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. It also provides the rationale for all votes cast against management, including votes of support to shareholder resolutions."

Baillie Gifford

Baillie Gifford provided the following wording to describe its voting practices:

"All voting decisions are made by our ESG team in conjunction with investment managers. We do not regularly engage with clients prior to submitting votes, however if a segregated client has a specific view on a vote then we will engage with them on this. If a vote is particularly contentious, we may reach out to clients prior to voting to advise them of this or request them to recall any stock on loan.

Thoughtful voting of our clients' holdings is an integral part of our commitment to stewardship. We believe that voting should be investment led, because how we vote is an important part of the long term investment process, which is why our strong preference is to be given this responsibility by our clients. The ability to vote our clients' shares also strengthens our position when engaging with investee companies. Our ESG team oversees our voting analysis and execution in conjunction with our investment managers. Unlike many of our peers, we do not outsource any part of the responsibility for voting to third-party suppliers. We utilise research from proxy advisers for information only. Baillie Gifford analyses all meetings in-house in line with our ESG Principles and Guidelines and we endeavour to vote every one of our clients' holdings in all markets.

Whilst we are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), we do not delegate or outsource any of our stewardship activities or follow or rely upon their recommendations when deciding how to vote on our clients' shares. All client voting decisions are made in-house. We vote in line with our in-house policy and not with the proxy voting providers' policies. We also have specialist proxy advisors in the Chinese and Indian markets to provide us with more nuanced market specific information."

Blackstone

Blackstone provided the following wording to describe its voting practices:

"We generally do not consult with clients prior to voting a proxy.

Proxy Voting authority relating to portfolio holdings of the Fund with respect to assets invested in an investment fund that carry voting rights, are delegated to the investment manager, to be exercised in accordance with the proxy voting policies adopted by the investment manager. We have engaged Institutional Shareholder Services, Inc. (ISS) to make recommendations on proxy voting for our direct trading activities based on our Benchmark Policy Recommendations. Subject to our Proxy Voting Policies and Procedures, we generally vote proxies in accordance with ISS' Benchmark Policy Recommendations but may decide not to vote in accordance with the ISS recommendations if we believe that the specific ISS recommendation is not in the best interest of the our clients. We additionally subscribe to ISS' Sustainability Research, which provides data, analysis, and recommendations based on ISS' Sustainability Proxy Voting Guidelines (the "Policy") which can be taken into consideration by us in determining how to vote in the best interests of our clients."

Ruffer

Ruffer provided the following wording to describe its voting practices:

"Ruffer, as a discretionary investment manager, does not have a formal policy on consulting with clients before voting. However, we can accommodate client voting instructions for specific areas of concerns or companies where feasible.

Ruffer has internal voting guidelines as well as access to proxy voting research, currently from Institutional Shareholder Services (ISS), to assist in the assessment of resolutions and the identification of contentious issues. Although we are cognisant of proxy advisers' voting recommendations, in general, we do not delegate or outsource our stewardship activities when deciding how to vote on our clients' shares.

Research analysts are responsible, supported by our responsible investment team, for reviewing the relevant issues on a case-by-case basis and exercising their judgement, based on their in-depth knowledge of the company. If there are any controversial resolutions, a discussion is convened with senior investment staff and, if agreement cannot be reached, there is an option to escalate the decision to 2 Share blocking restricts investors that intend to vote at an AGM or EGM from selling their shares for a specified amount of time the Head of Research or the Chief Investment Officer. We look to discuss with companies any relevant or material issue that could impact our investment. We will ask for additional information or an explanation, if necessary, to inform our voting discussions. If we decide to vote against the recommendations of management, we will endeavour to communicate this decision to the company before the vote along with our explanation for doing so.

Collaborative engagement can also provide a platform to engage on wider sector, regulatory and policy matters with investors and other stakeholders. Ruffer is open to working alongside other investors on both policy and company specific matters. The decision to collaborate on company specific matters will be judged on a case-by-case basis by the responsible investment team with input from research analysts and portfolio managers as well as the legal and compliance teams.

Ruffer engages regularly with the Investment Association and the Institutional Investor Group on Climate Change (IIGCC). Through our commitment to Climate Action 100+ we have collaborated extensively with other investors or asset owners engaging with a number of European and American companies, including making statements at AGMs and co-filing shareholder resolutions."

BlackRock

BlackRock provided the following wording to describe its voting practices:

"Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

The team and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. BlackRock's voting guidelines are market-specific to ensure it takes into account a company's unique circumstances by market, where relevant.

BlackRock's engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. It may also update its regional engagement priorities based on issues that it believes could impact the long-term sustainable financial performance of companies in those markets.

As outlined in its Global Principles, BlackRock determines which companies to engage directly based on its assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of its engagement being productive. BlackRock's voting guidelines are intended to help clients and companies understand its thinking on key governance matters. They are the benchmark against which it assesses a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock applies its guidelines pragmatically, taking into account a company's unique circumstances where relevant. It informs its vote decisions through research and engage as necessary. If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock's Investment Stewardship team would not implement the policy itself, but the client would engage a third-party voting execution platform to cast the votes.

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team, with input from the wider investment team as required, in accordance with BlackRock's Global Corporate Governance and Engagement Principles and custom market-specific voting guidelines.

While BlackRock subscribe to research from the proxy advisory firms Institutional Shareholder Services ("ISS") and Glass Lewis & Co ("Glass Lewis"), this is just one among many inputs into BlackRock's vote analysis process. BlackRock primarily uses proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that BlackRock Investment Stewardship analysts can readily identify and prioritise those companies where its own additional research and engagement would be beneficial. Other sources of information BlackRock uses include the company's own reporting (such as the proxy statement and the website), its engagement and voting history with the company, the views of its active investors, public information and ESG research.

Where BlackRock believes it will help to understand the voting decisions at shareholder meetings, BlackRock will publish a Voting Bulletin explaining the rationale for how it or, in this case, the independent fiduciary, has voted on select resolutions, and (where relevant) provide information around its engagement with the issuer. These bulletins are intended to explain their vote decision, including the analysis underpinning it and relevant engagement history when applicable, where the issues involved are likely to be high-profile and therefore of interest to its clients and other stakeholders, and potentially represent a material risk to the investments it undertakes on behalf of clients. BlackRock makes this information public shortly after the shareholder meeting, so clients and others can be aware of its vote determination when it is most relevant to them."

10.2 Summary of voting behaviour over the Scheme Year

A summary of voting behaviour over the Scheme Year is provided in the table below.

Focus Section

	Mandate 1	Mandate 2	Mandate 3	Mandate 4	Mandate 5
Manager name	Schroders	L&G	Baillie Gifford	Blackstone	Ruffer
Fund name	Segregated active UK equity mandate	World (ex UK) Equity Index Fund (GBP-Hedged)	Diversified Growth Fund	Strategic Opportunities Offshore Fund	Segregated diversified growth mandate
Total size of fund/mandate at end of reporting period	£17m	£1,455m	£1,699m	$3,481m	£18m
Value of Scheme assets at end of reporting period	£17m	£30m	£20m	$36m	£18m
Number of equity holdings at end of reporting period	43	2,813	57	0	28
Number of meetings eligible to vote	47	2,867	66	6	31
Number of resolutions eligible to vote	979	34,635	690	102	414
% of resolutions voted	100.0%	99.9%	94.1%	90.0%	87.0%
Of the resolutions on which voted, % voted with management	98.1%	78.0%	96.8%	80.0%	87.0%
Of the resolutions on which voted, % voted against management	1.9%	21.9%	2.8%	20.0%	8.3%
Of the resolutions on which voted, % abstained from voting	0.1%	0.1%	0.5%	0.0%	4.7%
Of the meetings in which the manager voted, % with at least one vote against management	21.3%	76.7%	16.7%	50.0%	26.6%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	1.9%	16.4%	n/a	17.0%	0.0%

Options Section

	Mandate 1	Mandate 2	Mandate 3	Mandate 4	Mandate 5
Manager name	BlackRock	BlackRock	BlackRock	BlackRock	L&G
Fund name	Dynamic Diversified Growth Fund	MSCI World Index Fund	World ESG Equity Tracker Fund	Emerging Markets Equity Index Fund	Diversified Fund
Total size of fund at end of reporting period	£0.8bn	£3.7bn	£8.9bn	£1.0bn	£11.9bn
Value of Scheme assets at end of reporting period	£11.2m	£25.0m	£2.8m	£4.5m	£18.6m
Number of holdings at end of reporting period	2,343	1,446	415	1,254	7,569
Number of meetings eligible to vote	570	1,003	467	2,783	8,997
Number of resolutions eligible to vote	7,166	15,204	7,296	23,079	93,090
% of resolutions voted	94.4%	98.2%	98.0%	98.7%	99.8%
Of the resolutions on which voted, % voted with management	94.5%	94.5%	97.5%	87.1%	76.6%
Of the resolutions on which voted, % voted against management	5.5%	5.5%	2.6%	12.9%	23.1%
Of the resolutions on which voted, % abstained from voting	1.6%	0.6%	0.3%	2.7%	0.3%
Of the meetings in which the manager voted, % with at least one vote against management	26.7%	32.1%	17.8%	43.2%	73.6%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0.3%	0.4%	0.2%	0.6%	14.5%

% of resolutions voted for, against, and abstained may not sum to 100% due to rounding differences

10.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the period, from the Scheme's investment managers who hold listed equities, is set out below.

During the Scheme Year, the Trustees did not inform their managers which votes it considered to be most significant in advance of those votes.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustees did not identify significant voting ahead of the reporting period. Instead, the Trustees have retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria for creating this shortlist. By informing their managers of their stewardship priorities and through their regular interactions with the managers, the Trustees believe that their managers will understand how they expect them to vote on issues for the companies they invest in on the Trustees' behalf.

The Trustees have interpreted "most significant votes" to mean those that:

- align with the Trustees' stewardship priorities;
- might have a material impact on future company performance;
- the investment manager believes to represent a significant escalation in engagement;
- impact a material fund holding, although this would not be considered the only determinant of significance, rather it is an additional factor;

- have a high media profile or are seen as being controversial; and
- the Scheme or the sponsoring company may have a particular interest in.

The Trustees have reported on two of these significant votes per mandate. If members wish to obtain more investment manager voting information, this is available upon request.

Focus Section

Schroders

- **Anglo American Plc, 26 April 2023**

  Relevant stewardship priority: Business ethics

  Vote: Against. **Outcome:** Passed. **Management recommendation:** For.

  Summary of resolution: Approve Renumeration Report.

  Rationale for voting decision: Schroders were concerned about the company achieving a 100% performance rating on the fatality metric in the bonus calculations for a year during which fatalities occurred.

  The reason the Trustees considered the vote to be "most significant": The vote relates to one of the Trustees' stewardship priorities.

  Was the intent to vote against management communicated to the company ahead of the vote?: Yes.

  Outcome and next steps: The outcome of the vote was not in-line with Schroders' vote. Schroders monitors voting outcomes particularly if it is a large shareholder or if it has an active engagement on the issue. If Schroders thinks that the company is not sufficiently responsive to a vote or its other engagement work, it may escalate its concerns by starting, continuing or intensifying an engagement. As part of this activity, Schroders may also vote against other resolutions at future shareholder meetings, such as voting against the election of targeted directors.

  Approximate size of the mandate's holding at the date of the vote: 2.7%.

- **Glencore Plc, 26 May 2023**

  Relevant stewardship priority: Climate change

  Vote: For. **Outcome:** Not Passed. **Management recommendation:** Against.

  Summary of resolution: Resolution in Respect of the Next Climate Action Transition Plan.

  Rationale for the voting decision: Schroders believe that the disclosure requested will help keep the company accountable for its emissions profile and emissions reductions.

  The reason the Trustees considered the vote to be "most significant": The vote relates to one of the Trustees' stewardship priorities.

  Was the intent to vote against management communicated to the company ahead of the vote?: Yes.

  Outcome and next steps: The outcome of the vote was not in-line with Schroders' vote. Schroders monitors voting outcomes particularly if it is a large shareholder or if it has an active engagement on the issue. If Schroders thinks that the company is not sufficiently responsive to a vote or its other engagement work, it may escalate its concerns by starting, continuing or intensifying an engagement. As part of this activity, Schroders may also vote against other resolutions at future shareholder meetings, such as voting against the election of targeted directors.

  Approximate size of the mandate's holding at the date of the vote: 2.3%.

L&G

- **JPMorgan Chase & Co., 16 May 2023**

  Relevant stewardship priority: Climate change

  Vote: For. **Outcome:** Not passed. **Management recommendation:** Against.

  Summary of resolution: Resolution 9 – Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets.

  Rationale for the voting decision: L&G generally supports resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. L&G believe detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.

  The reason the Trustee considered the vote to be "most significant": The vote relates to one of the Trustees' stewardship priorities.

  Was the intent to vote against management communicated to the company ahead of the vote?: Yes.

  Outcome and next steps: The outcome of the vote was not in-line with L&G's vote. L&G will continue to engage with the company and monitor progress.

  Approximate size of the mandate's holding at the date of the vote: 0.7%.

- **Amazon.com, Inc., 24 May 2023**

  Relevant stewardship priority: Diversity, equity and inclusion.

  Vote: For. **Outcome:** Not Passed. **Management recommendation:** Against.

  Summary of resolution: Resolution 13 – Report on Median and Adjusted Gender/Racial Pay Gaps.

  Rationale for the voting decision: A vote in favour is applied as L&G expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. Board diversity is an engagement and voting issue, as L&G believes cognitive diversity in business is a crucial step towards building a better company, economy and society.

  The reason the Trustees considered the vote to be "most significant": The vote relates to one of the Trustees' stewardship priorities (diversity, equity and inclusion).

  Was the intent to vote against management communicated to the company ahead of the vote?: Yes.

  Outcome and next steps: The outcome of the vote was not in-line with L&G's vote. L&G will continue to engage with the company and monitor progress.

  Approximate size of the mandate's holding at the date of the vote: 1.6%.

Baillie Gifford

- **DP Aircraft I Limited, 19 September 2023**

  Relevant stewardship priority: Business Ethics.

  Vote: Against. **Outcome:** Passed. **Management recommendation:** For.

  Summary of resolution: Amendment of Share Capital.

Rationale for the voting decision: Baillie Gifford opposed the resolution which sought authority to issue equity because the potential dilution levels were not in the interest of shareholders.

The reason the Trustees considered the vote to be "most significant": The vote relates to one of the Trustees' stewardship priorities.

Was the intent to vote against management communicated to the company ahead of the vote?: No.

Outcome and next steps: The outcome of the vote was not in line with Baillie Gifford's vote. It received over 30% dissent from shareholders. Baillie Gifford will continue to engage with its investee companies.

Approximate size of the mandate's holding at the date of the vote: <0.1%

- **Nextera Energy, Inc., 18 May 2023**

  Relevant stewardship priority: Diversity, equity and inclusion.

  Vote: For. **Outcome:** Not passed. **Management recommendation:** Against.

  Summary of resolution: Shareholder Resolution – Social.

  Rationale for the voting decision: Baillie Gifford supported a shareholder resolution requesting the company report on median pay gaps across race and gender. Baillie Gifford believes the additional disclosure would allow shareholders to better assess the internal equity of pay and would also allow comparability over time and across organisations.

  The reason the Trustees considered the vote to be "most significant": The vote relates to one of the Trustees' stewardship priorities.

  Was the intent to vote against management communicated to the company ahead of the vote?: No.

  Outcome and next steps: The outcome of the vote was not in line with Baillie Gifford's vote. Although the resolution failed to secure enough support to pass, it did receive support from more than 24% of shareholders. Baillie Gifford will communicate its decision to support the shareholder resolution with the company, and will explain its rationale for doing so.

  Approximate size of the mandate's holding at the date of the vote: <0.1%

Blackstone

Blackstone does not consider any of the votes that it carried out on behalf of the Trustees over the Scheme Year to be significant, as the votes were not related to the Trustees' stewardship priorities and were considered immaterial due to the size of the positions in the portfolio and the nature of the vote proxies. The Trustees are comfortable with Blackstone's assessment of materiality.

Ruffer

- **BP Plc, 27 April 2023**

  Relevant stewardship priority: Climate change.

  Vote: Against. **Outcome:** Not passed. **Management recommendation:** Against.

  Summary of resolution: Environmental – Approve Shareholder Resolution on Climate Change Targets.

  Rationale for the voting decision: Ruffer believes that BP has outlined a credible transition strategy with appropriate decarbonisation targets, that reflect demand for oil & gas energy whilst allocating capital to the 'transition growth engines'. Ruffer believed that the resolution (aligning 2030 scope 3 aims with Paris) was unnecessary given that it would require a wholesale shift in strategy, and BP has a 2050 net zero target and has published a strategy to achieve this.

The reason the Trustees considered the vote to be "most significant": The vote relates to one of the Trustees' stewardship priorities (climate change).

Outcome and next steps: The outcome of the vote was in line with Ruffer's vote. Ruffer will monitor how the company progresses and improves over time and continue to support credible energy transition strategies and initiatives which are currently in place, and will vote against shareholder resolutions which it deems as unnecessary.

Approximate size of the mandate's holding at the date of the vote: 0.5%.

- **Swire Pacific, 11 May 2023**

  Relevant stewardship priority: Business ethics.

  Vote: Against. **Outcome:** Passed. **Management recommendation:** For.

  Summary of resolution: Governance – Approve Issuance of Equity or Equity-Linked Securities without Pre-emptive Rights

  Rationale for the voting decision: Although Hong Kong's listing rules allow for 20% equity issuance without pre-emptive rights, Ruffer voted against this issuance as the ISS view is that 10% should be the limit for such issuances. This stance is in the view that there is a risk of the controlling family diluting the minority shareholders.

  The reason the Trustees considered the vote to be "most significant": The vote relates to one of the Trustees' stewardship priorities (business ethics), it might also have a material impact on future company performance and a vote against management was applied.

  Was the intent to vote against management communicated to the company ahead of the vote?: No.

  Outcome and next steps: The outcome of the vote was not in line with Ruffer's vote. Ruffer will continue to engage with the company on governance issues and vote on equity issuance proposals where they deem it to have a material impact on the company.

  Approximate size of the mandate's holding at the date of the vote: 0.3%.

Options Section

BlackRock Dynamic Diversified Fund

- **Broadcom Inc, April 2023**

  Relevant stewardship priority: Business Ethics

  Vote: For. **Outcome:** Passed. **Management recommendation:** For.

  Summary of resolution: Approve an amendment and restatement of the 2012 stock plan.

  Rationale for the voting decision: BlackRock voted in support of the stock plan proposal in recognition of the company's use of equity plans to incentivise employees beyond the executive leadership team. Broadcom's Board also recommended shareholders approve an amendment and restatement of the company's 2012 Stock Incentive Plan ("2012 Plan"), and an increase in the "number of shares of common stock authorised for issuance by 25,000,000 shares" to be used to attract, motivate, and retain top talent. This proposal was dilutive to shareholders, given Broadcom had over 19 million shares available. However, BlackRock noted that the plan has features that offset its concerns about dilution. Importantly, the plan is employed across different organizational levels of the workforce to align the broader employee base beyond the senior executive team with the long-term strategy of the company. Accordingly, BlackRock supported the proposal to approve the changes to Broadcom's omnibus stock plan to enable the company to incentivise employees.

  Criteria for which vote has been assessed as "most significant": The vote relates to one of the Trustees' stewardship priorities.

Was the vote communicated to the company ahead of the vote: BlackRock voted in line with management.

Outcome and next steps: The outcome of the vote was in-line with BlackRock's vote. BlackRock will continue to engage with the company to monitor progress.

Approximate size of the mandates' holding at the date of the vote: 0.12%

- **Shell plc, May 2023**

  Relevant stewardship priority: Climate change

  Vote: For. **Outcome:** Passed. **Management recommendation:** For.

  Summary of resolution: Approve the Shell energy transition progress.

  Rationale: BlackRock supported this management proposal in recognition of the delivery to date against the company's energy transition strategy. Shell has and continues to provide a clear assessment of its plans to manage climate-related risks and opportunities and has demonstrated continued delivery against their energy transition strategy. Given that the speed and shape of a low carbon transition are unclear, company disclosures that include scenario analysis and provide context on the transition plan and targets, help investors' understanding of company-specific risks and opportunities. In BlackRock's view, Shell's reporting and approach are aligned with BlackRock's clients' long-term financial interests; therefore, BlackRock supported the management resolution.

  Criteria for which vote has been assessed as "most significant": The vote relates to one of the Trustees' stewardship priorities.

  Was the vote communicated to the company ahead of the vote: BlackRock voted in line with management.

  Outcome and next steps: The outcome of the vote was in-line with BlackRock's vote. BlackRock will continue to engage with the company to monitor progress.

  Approximate size of the mandates' holding at the date of the vote: 0.00%.

BlackRock MSCI World Index Fund

- **Restaurant Brands International, May 2023**

  Relevant stewardship priority: Climate change

  Vote cast: Against. **Outcome of the vote:** Failed. **Management recommendation:** Against.

  Summary of resolution: Shareholder proposal to report on the reduction of plastic use.

  Rationale for the voting decision: BlackRock did not support this resolution because in its analysis, the company's existing disclosures on plastic use are comprehensive and provide sufficient information to allow investors to understand the company's approach to managing risks and opportunities of plastic use.

  The reason the Trustees considered this vote to be "most significant": This vote relates to a stewardship priority selected by the Trustees.

  Was the vote communicated to the company ahead of the vote: BlackRock voted in-line with management.

  Outcome and next steps: The vote did not pass. BlackRock will continue to engage with the company to monitor the various steps the company is taking to address this issue.

  Approximate size of the mandate holding at the date of the vote: 0.04%

- **The Hong Kong and China Gas Company Limited ("HKCG"), June 2023**

  Relevant stewardship priority: Business ethics

  Vote cast: Against. **Outcome of the vote:** Passed. **Management recommendation:** For.

Summary of resolution: Elect Lee Ka-kit and David Li Work-po as director

Rationale for the voting decision: BlackRock did not support management's recommendation on the elections of the co-chair of the board of directors and nomination committee, and of the chair of the audit and remuneration committees given concerns related to board independence and composition. At present, the company's board is comprised of nine directors, including three independent non-executive directors ("INEDs"). BlackRock note that the level of independence on the board remains below what companies often aspire to in the market. Further, one INED nominated for election by the company at the 2023 AGM has served on the board of directors since 1984 and currently serves as an executive chairman on the board of a bank that is one of the company's principal bankers.

The reason the Trustees considered this vote to be "most significant": This vote relates to a stewardship priority selected by the Trustees.

Was the vote communicated to the company ahead of the vote: At the time of writing BlackRock has confirmed that it does not systematically track whether each company is informed of BlackRock's voting decision.

Outcome and next steps: BlackRock continues to see room to improve board composition to support long-term financial value creation. BlackRock will continue to engage with the company to discuss the company's approach to these matters and how the board's decisions to date align with shareholders' long-term financial interests.

Approximate size of the mandate holding at the date of the vote: 0.02%

BlackRock World ESG Equity Tracker Fund

- **Chevron Corporation, May 2023**

  Relevant stewardship priority: Diversity, equity and inclusion

  Vote cast: Against. **Outcome of the vote:** Failed. **Management recommendation:** Against.

  Summary of resolution: Oversee and report a racial equity audit.

  Rationale for the voting decision: BlackRock did not support this shareholder proposal because in BlackRock's assessment, Chevron's policies and actions on diversity, equity, and inclusion largely address the issues of focus in the shareholder proposal, which was confirmed by the independent racial equity audit the company voluntarily undertook in 2022. The report sought by the proponent would not, in BlackRock's view, provide shareholders with an enhanced understanding of either the risks or robustness of Chevron's internal or external approach to DEI. BlackRock, therefore, determined that support for the proposal would not be in its clients' financial interests as long-term investors.

  The reason the Trustees considered this vote to be "most significant": This vote relates to a stewardship priority selected by the Trustees.

  Was the vote communicated to the company ahead of the vote: BlackRock voted in-line with management.

  Outcome and next steps: The outcome of the vote was in-line with BlackRock's vote. BlackRock continues to engage with companies on diversity as per its US proxy voting guidelines.

  Approximate size of the mandate holding at the date of the vote: 0.50%

- **ExxonMobil Corporation, May 2023.**

  Relevant stewardship priority: Climate change

  Vote: Against. **Outcome of the vote:** Failed. **Management recommendation:** Against.

  Summary of resolution: Report on methane emission disclosure reliability.

  Rationale for the voting decision: BlackRock did not support this shareholder proposal because, in BlackRock's assessment, Exxon has provided sufficient disclosures on both its approach to methane emissions mitigation as well as how it is working to accurately measure and monitor methane emissions. BlackRock found

Exxon's approach to managing methane emissions in their operations to be on par with the efforts of leading peers. The company has rigorous targets to reduce methane emissions, is deploying a wide range of technologies to more accurately measure progress against these targets and is participating in industry efforts to improve the accuracy of direct methane measurement. In BlackRock's assessment, the company's existing disclosures already include the information requested in the shareholder proposal. On balance, the costs of additional reporting were not warranted and therefore, not aligned with BlackRock's clients' financial interests.

The reason the Trustees considered this vote to be "most significant": This vote relates to a stewardship priority selected by the Trustees.

Was the vote communicated to the company ahead of the vote: BlackRock voted in line with management.

Outcome and next steps: The outcome of the vote was in-line with BlackRock's vote. BlackRock will continue to engage with Exxon on the important topic of methane emissions management generally, as well as on the technology and reporting of direct methane measurement.

Approximate size of the mandate's holding at the date of the vote: 0.69%

BlackRock Emerging Markets Fund

- **Zhejiang Expressway Co., Ltd, May 2023.**

  Relevant stewardship priority: Business Ethics

  Vote: For. **Outcome of the vote:** Pass. **Management recommendation:** For.

  Summary of resolution: Rights issue

  Rationale for the voting decision: Zhejiang Expressway proposed a rights issue of domestic and H shares (shares listed on the Hong Kong Stock Exchange) for use in reconstruction and expansion projects of existing expressways as well as for daily operating expenses. BlackRock engaged with the company to better understand the proposed issuance. In BlackRock's assessment, the rights issue was based on fair terms and valid business justification and was aligned with the long term interests of investors. Therefore, BlackRock voted in favour of this resolution.

  The reason the Trustees considered this vote to be "most significant": This vote relates to a stewardship priority selected by the Trustees.

  Was the vote communicated to the company ahead of the vote: BlackRock engaged with the company in advance of the meeting to better understand the reasons for the rights issuance. As BlackRock felt the company was able to articulate its reasons for this, it voted in favour of the resolution.

  Outcome and next steps: The resolution was passed. BlackRock will continue to engage with the company to monitor its clients interests.

  Approximate size of the mandate's holding at the date of the vote: 0.02%

- **Shin Kong Financial Holding Company Limited, June 2023.**

  Relevant stewardship priority: Business Ethics

  Vote: BlackRock voted for 5 directors nominated by the board and 9 directors proposed by the reform camp and pro-management shareholders. BlackRock voted against the other candidates. **Outcome of the vote:** 16 of the 32 directors were elected. **Management recommendation:** The board recommended shareholders vote for its nominated directors and against those proposed by a group of shareholders seeking reform.

  Summary of resolution: Election of Directors (for 15 director seats, including three independent director seats)

  Rationale for the voting decision: BlackRock supported nine independent candidates and five non-independent directors. In BlackRock's view, financial and governance concerns warranted support for the independent candidates while maintaining a degree of management-supported directors to maintain a level of institutional knowledge in the board. BlackRock's view is that long-term shareholders tend to benefit when boards include a diversity of views and directors can act as checks and balances on one another, as necessary.

The reason the Trustees considered this vote to be "most significant": This vote relates to a stewardship priority selected by the Trustees.

Was the vote communicated to the company ahead of the vote: At the time of writing BlackRock has confirmed that they do not systematically track whether each company is informed of BlackRock's voting decision.

Outcome and next steps: The outcome for 20 of the 32 candidates was in line with BlackRock's votes. BlackRock will continue to engage with the company regarding the steps it is taking to enhance its corporate governance structure and support long-term financial value creation for shareholders.

Approximate size of the mandate's holding at the date of the vote: 0.05%

L&G Diversified Fund

- **Public Storage, May 2023.**

  Relevant stewardship priority: Climate change

  Vote: For. **Outcome of the vote:** Not passed. **Management recommendation:** Against.

  Summary of resolution: Report on GHG emissions reduction targets aligned with the Paris agreement goal

  Rationale for the voting decision: A vote in favour is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.

  The reason the Trustees considered this vote to be "most significant": This vote relates to a stewardship priority selected by the Trustee.

  Was the vote communicated to the company ahead of the vote: LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

  Outcome and next steps: LGIM will continue to engage with the company and publicly advocate its position on this issue and monitor company and market-level progress.

  Approximate size of the mandate's holding at the date of the vote: 0.17%

- **Prologis, Inc, May 2023.**

  Relevant stewardship priority: Diversity, equity and inclusion

  Vote: Against. **Outcome of the vote:** Passed **Management recommendation:** For

  Summary of resolution: Elect director Jeffrey L. Skelton

  Rationale for the voting decision: A vote against is applied as LGIM expects a company to have at least one-third women on the board while the company has an all-male Executive Committee. LGIM also expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background. LGIM expects the Chair of the Committee to have served on the board for no more than 15 years in order to maintain independence and a balance of relevant skills, experience, tenure, and background.

  The reason the Trustees considered this vote to be "most significant": This vote relates to a stewardship priority selected by the Trustee.

  Was the vote communicated to the company ahead of the vote: LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.

Outcome and next steps: LGIM will continue to engage with the company and publicly advocate its position on this issue and monitor company and market-level progress.

Approximate size of the mandate's holding at the date of the vote: 0.42%